

MAINTAINING LAWYER TRUST ACCOUNTS

WITH *QUICKEN*® 2006 BASIC

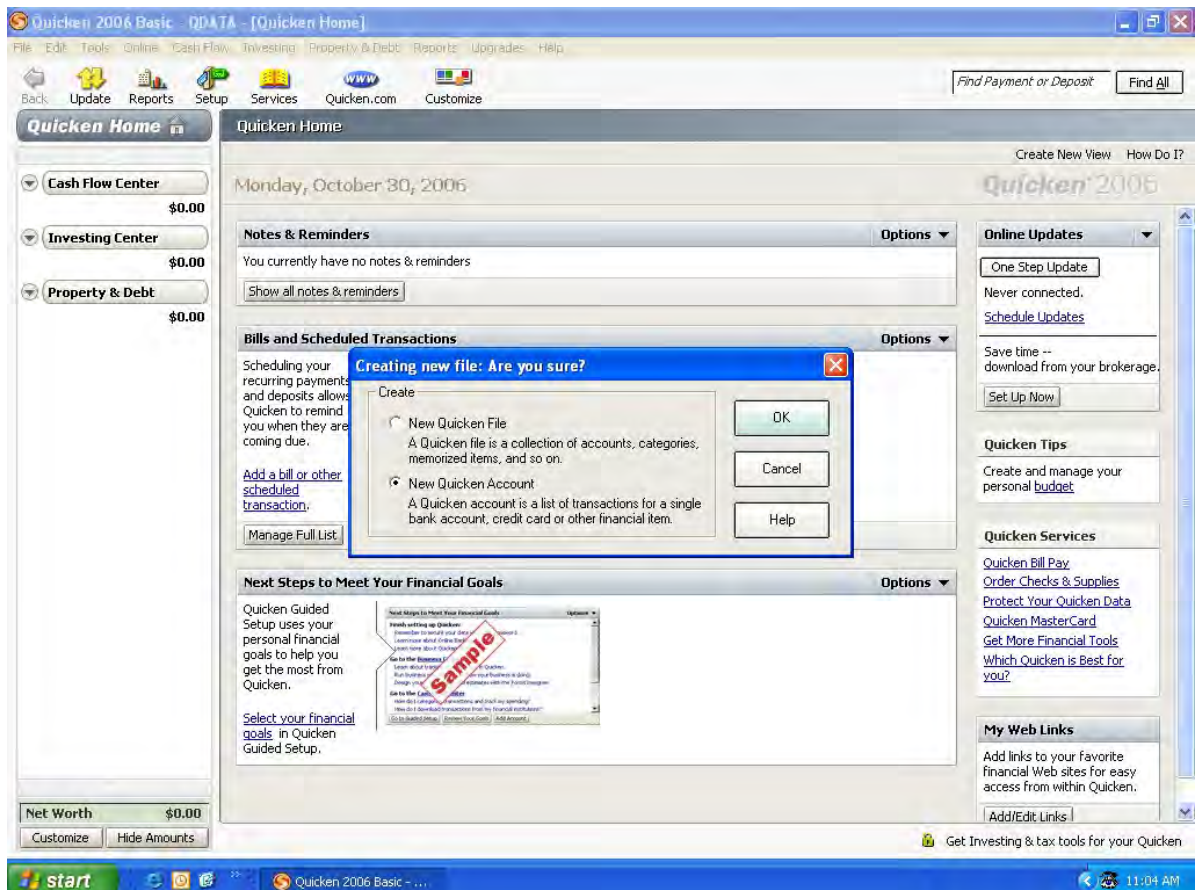


Provided By

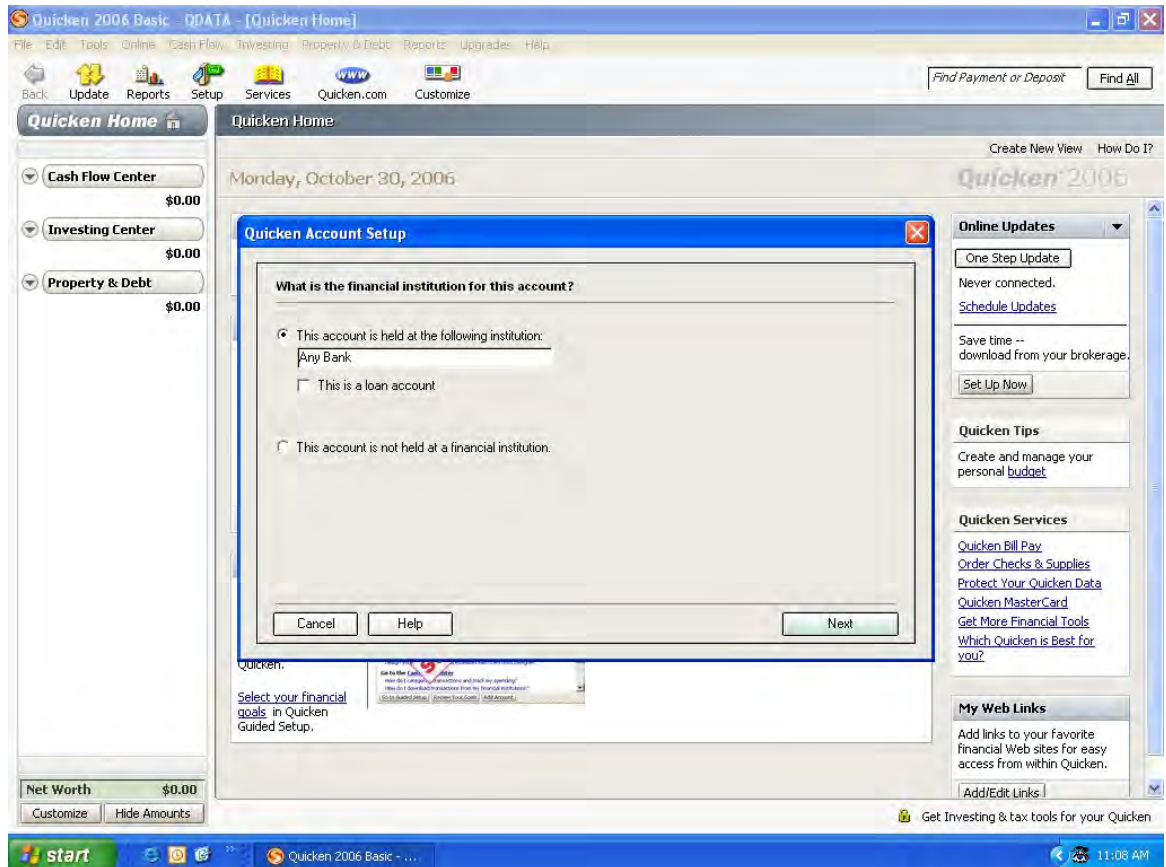
Minnesota Lawyers Professional Responsibility Board
and
Office of Lawyers Professional Responsibility
1500 Landmark Towers
345 St. Peter Street
St. Paul, Minnesota 55102

I. OPENING A NEW ACCOUNT WITH *QUICKEN*®

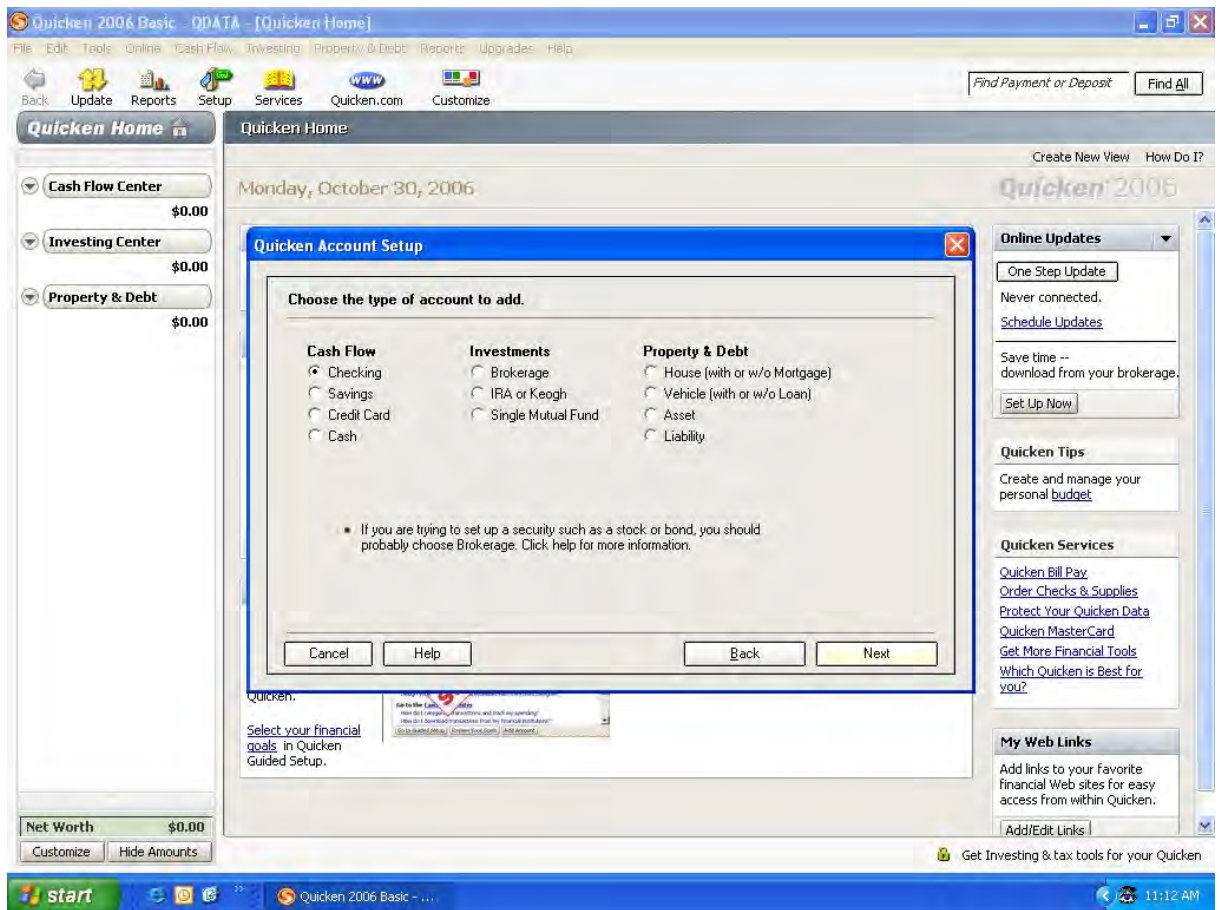
- Open the *Quicken*® program.
- From the home page, pull down the *File* menu and select *New*.
- In the dialog box that appears, select the *New Quicken Account* option and click *OK*.



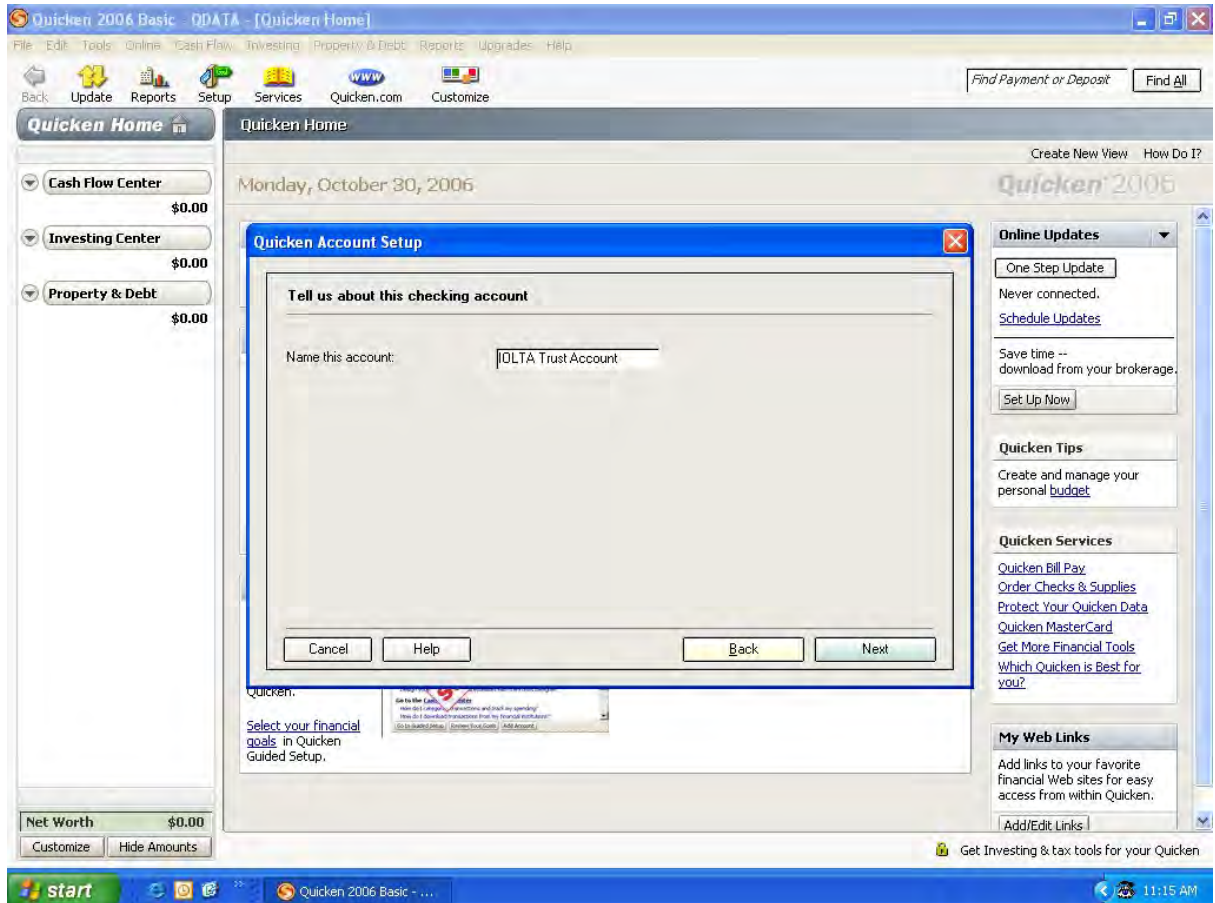
- In the next window, identify the financial institution in which the account will be maintained. Click *Next*.



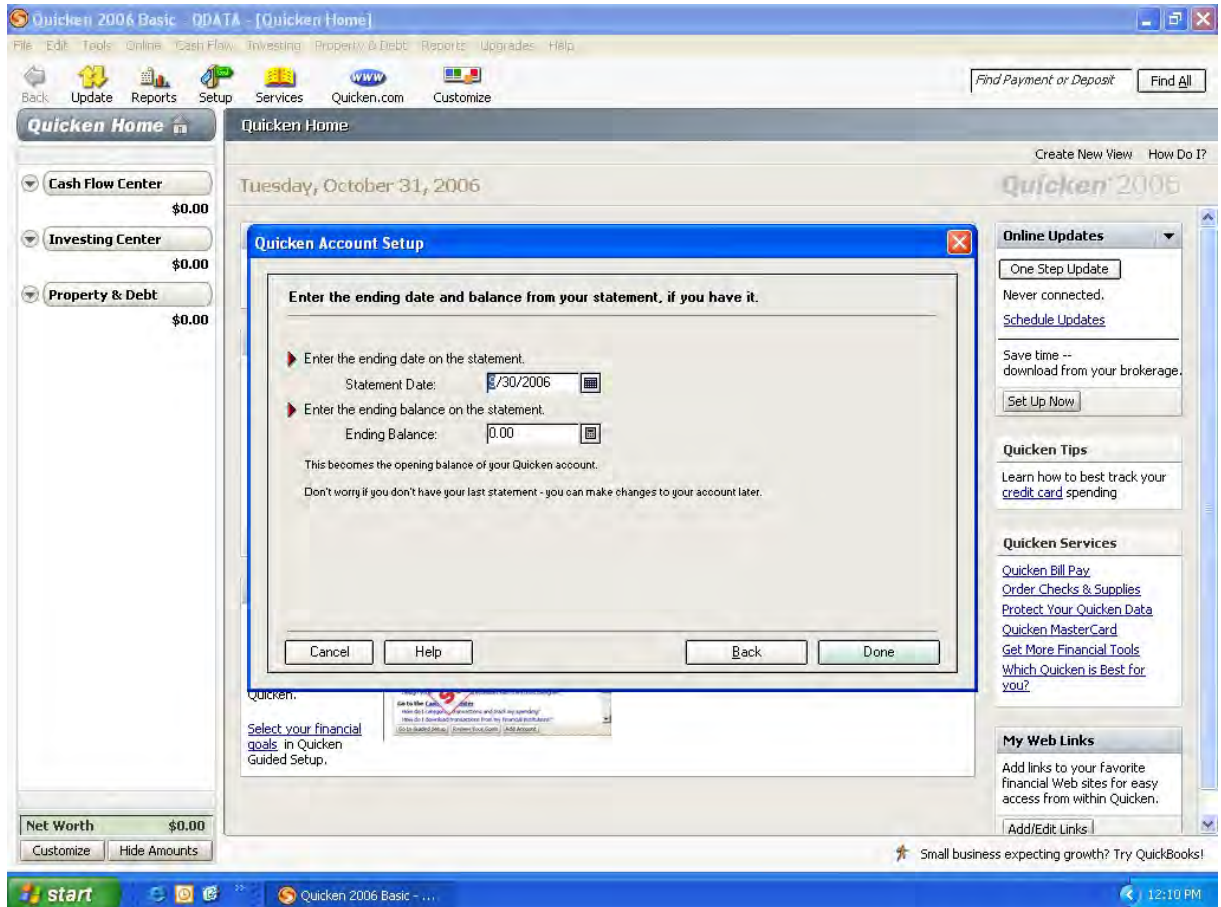
- In the next window, select *Checking* as the type of account to add. Click *Next*.



- In the next window, enter a name for the account, e.g., “IOLTA Trust Account.”
Click *Next*.



- The *Account Setup* screen will ask for the date and ending balance of your last bank statement. Defer to the *Statement Date* that appears on the screen and make sure the *Ending Balance* window is “0.00.” Click *Done*.



- You have completed the *Quicken®* set-up for your trust account and the check register page should be on your screen. It is now necessary to enter existing balance information into your *Quicken®* check register.

II. ENTRY OF BALANCES TO QUICKEN® FOR AN EXISTING TRUST ACCOUNT

Adjusted Bank Statement Balance. If you are creating a *Quicken®* account for an existing trust account, you will first need to determine what checks and deposits remain outstanding, i.e., have not cleared the account, and adjust the ending balance from your most recent bank statement accordingly. The best time to convert your records to *Quicken®* is immediately after you receive a monthly statement.

Determining Ownership of Existing Funds. After adjusting the bank statement balance for outstanding checks and deposits, you must determine, **to the penny**, ownership of the funds comprising the account balance, including any funds you have in the account to pay service and other charges and any accrued interest in the account. If you are already maintaining manual records, the ownership of the account balance should be obtainable from the subsidiary ledgers.

Accrued Interest Remaining in the Account. Typically, interest earned on IOLTA accounts is paid by the bank to the Lawyer Trust Account Board (LTAB). Many banks credit and debit identical amounts of interest to your trust account during the same month, thereby causing identical offsetting interest entries that do not affect the month ending balance. If your bank credits and debits identical amounts of IOLTA interest during the same statement period, you need not make any adjustment for accrued interest.

Some banks, however, accrue interest from one statement period to the next or even longer before paying it to the LTAB. These types of accounts will obviously not have identical offsetting interest amounts within the same statement period. In these types of accounts the accrued interest, i.e., interest credited to the account but not yet paid to the LTAB, will affect the statement ending balance. When converting these types of accounts, you must record the interest paid into or credited to the account during the month into your *Quicken®* check register. (You can ignore the interest paid out of or debited from the account during the month.)

For example, assume at month's end the bank statement for your trust account showed a balance of \$801.50 (including \$1.50 in interest credited to the account during the month) and there was one outstanding check in the amount of \$200.00, for a total account balance of \$1,001.50. (Remember to ignore any interest paid out of the account to the LTAB during the month.) Assume further that this account balance is attributable as follows:

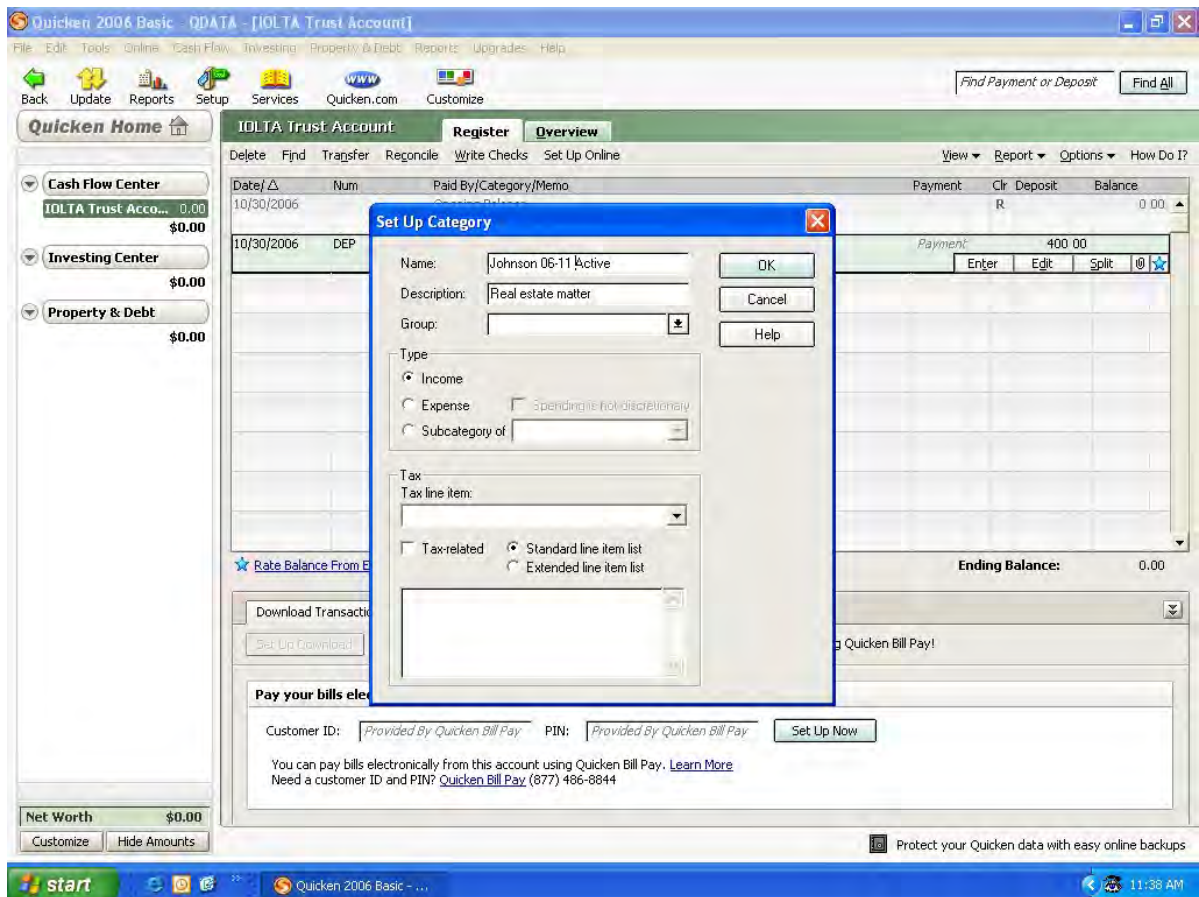
1. Law firm funds - \$100
2. Client Johnson - \$400
3. Client Ortiz - \$300
4. Client Thomas - \$200 (This was the outstanding check.)
5. IOLTA interest - \$1.50
6. Total - \$1,001.50.

Entering Existing Balances. These existing client and other balances must be entered into the newly created *Quicken*® account. This is accomplished by making a deposit entry for each such balance in the *Quicken*® check register. For each entry, you should enter:

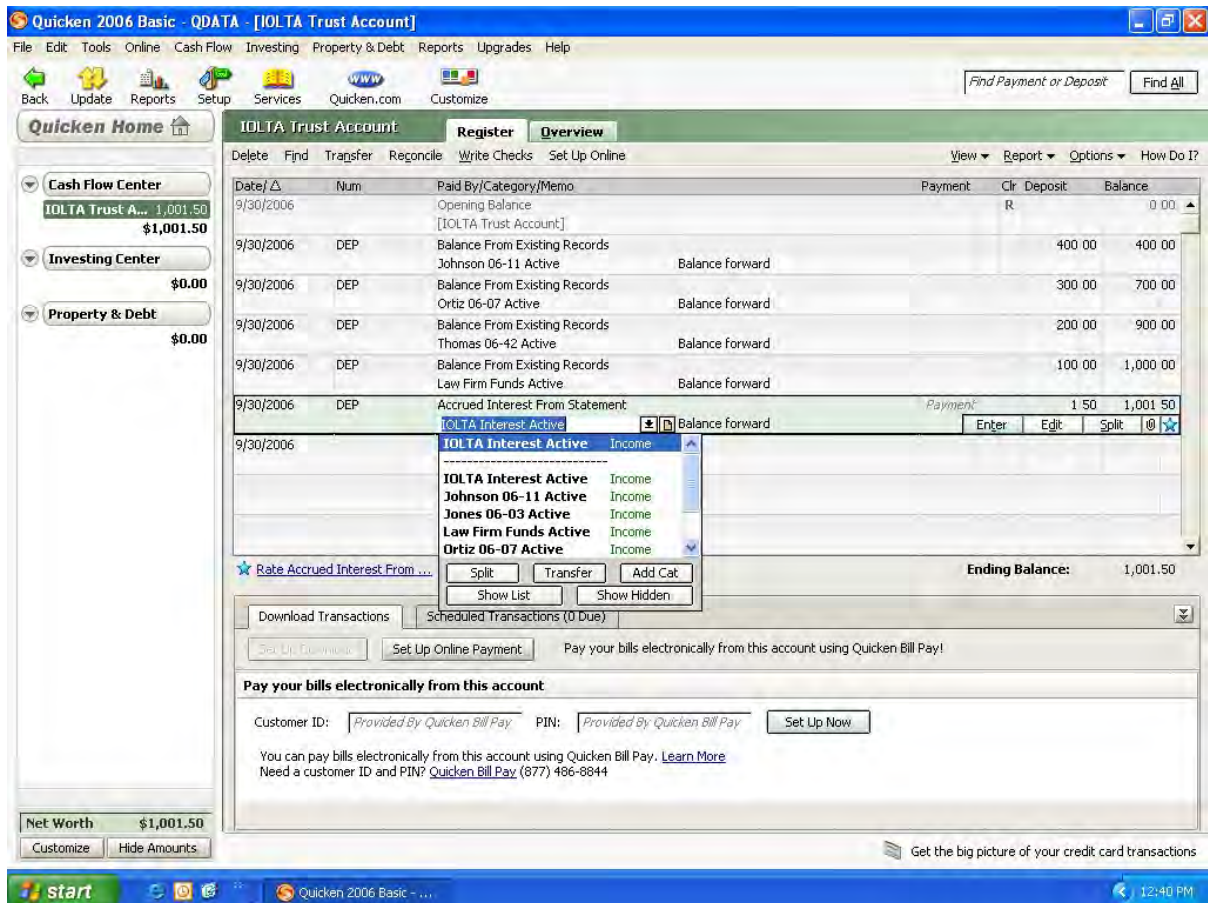
1. The date;
2. A description of the transaction;
3. The amount of the deposit;
4. The client or other account (*Interest* or *Law Firm Funds*) to which the funds should be attributed in the *category* column. *See*, page 8 for information on creating new categories. (Note: Depending on whether monthly service charges are imposed, interest can be posted to either a separate *Interest* category or the *Law Firm Funds* category. This issue is further discussed on page 15 of this brochure under the section entitled *Recording Automatic or Paperless Transactions Appearing Only on the Bank Statement*); and
5. A notation about the transaction in the memo column.

When you have completed making each entry, click *Record*.

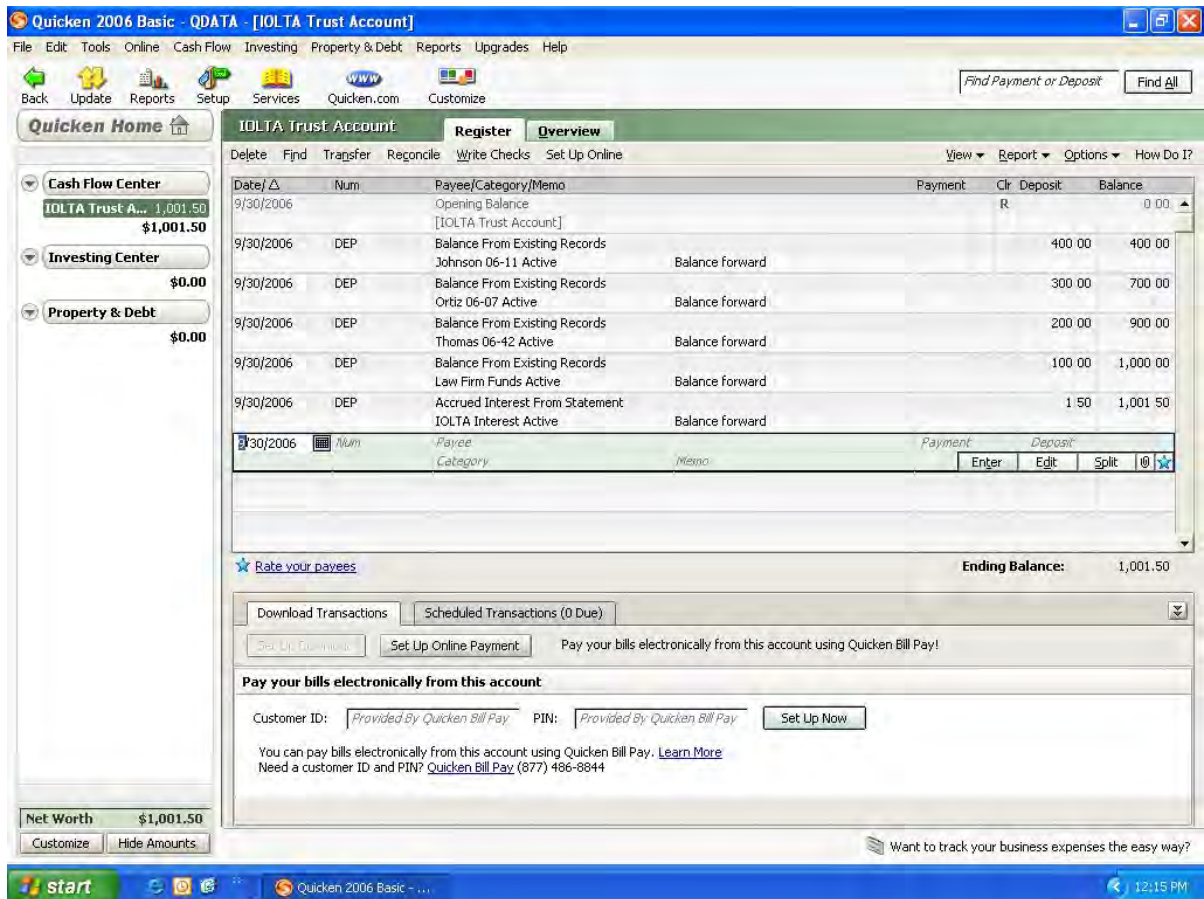
Creating new categories for each client. The first time you enter a client name or other account identifier, *Quicken®* will prompt you to "set up" or "add" a new category for that client/account. These categories allow for the creation of the individual client subsidiary ledgers. When adding each new the category, you should include a file number or some other unique identifier in addition to the client's name. You should also type the word "active" after each entry in the name window of every newly created category. This will assist you later in preparing and printing monthly reports. You may also include a description of the legal matter. Make sure that **all** categories are selected as **income** categories.



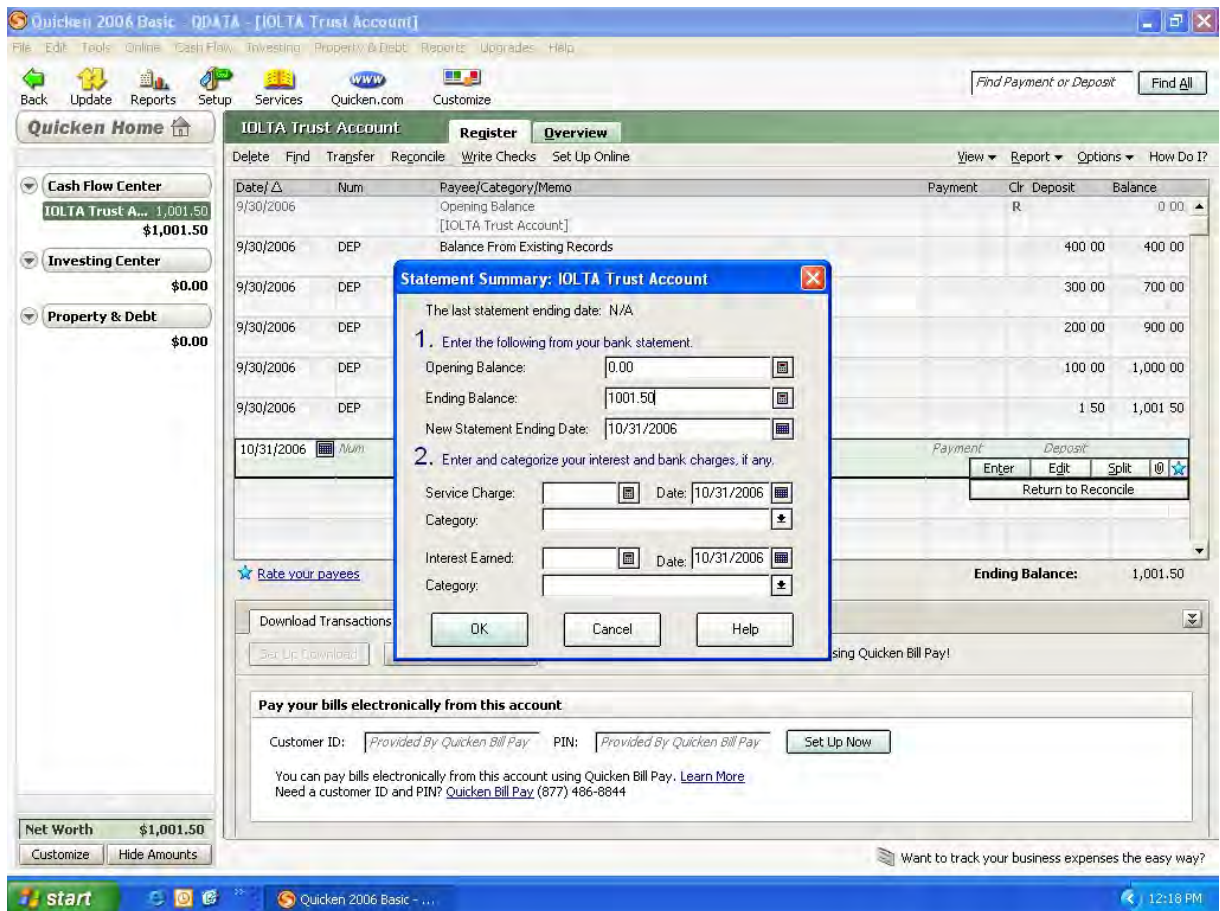
In addition to creating categories for each of the clients with funds in your trust account, you should create categories for *Interest* and any *Law Firm Funds* in the account. (Note that Rule 1.15(a)(1), Minnesota Rules of Professional Conduct (MRPC), permits a lawyer to deposit or retain the lawyer's own funds in a trust account in an amount "reasonably sufficient to pay service charges," generally interpreted as \$200.00 or less.) Do not forget to include the word "active" in the name of these categories as well. After you have set-up a new category, subsequent transactions can be attributed to that category by either typing the first few letters of the category or pulling down the window in the category column of the *Quicken®* check register.

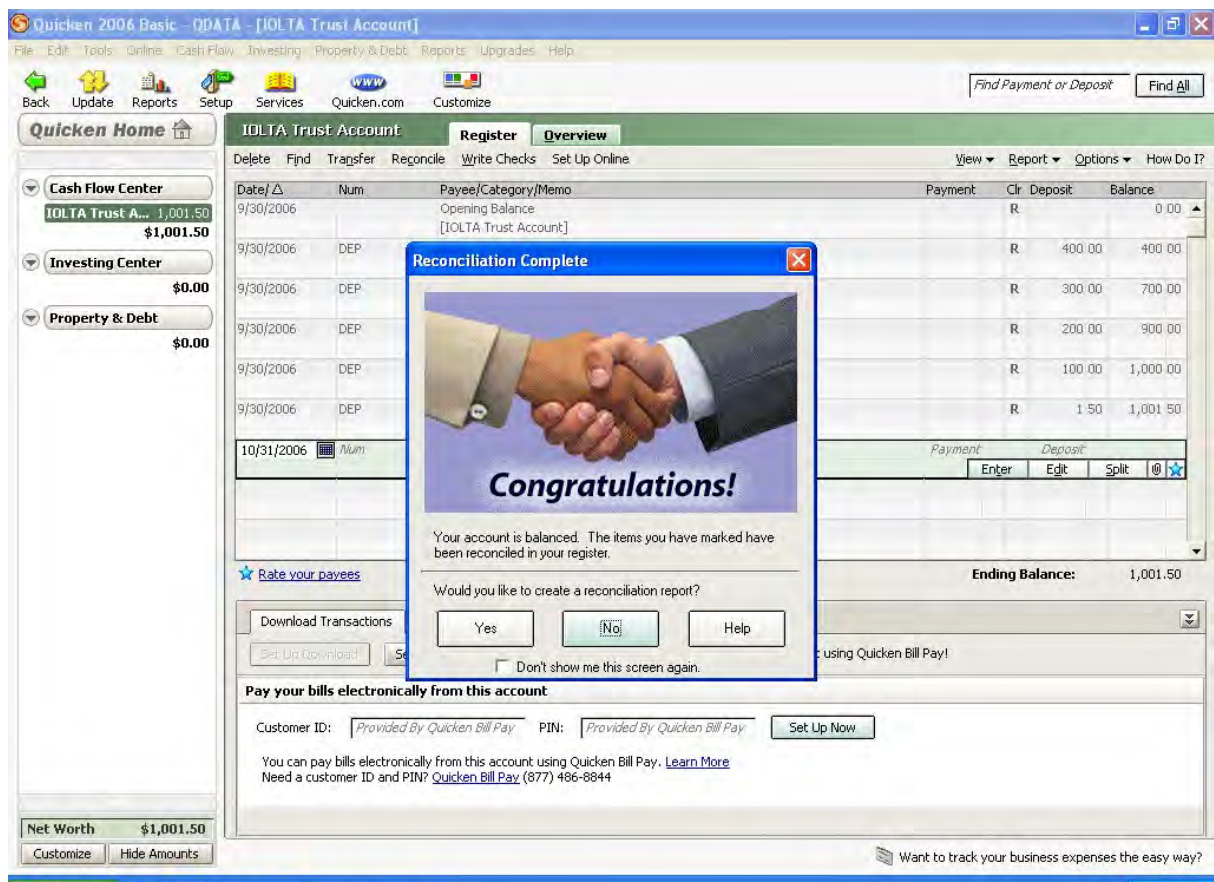


When you have finished entering all client and other balances, your *Quicken®* check register will look something like this:



After you have entered all the existing client and other balances into the *Quicken®* register, click on the *Cash Flow* menu tab and choose *Reconcile*. Enter the ending balance from the check register in the *Ending Balance* window that appears, i.e., \$1001.50 in our example. Click *OK*.





The screen above then appears indicating that your trust account is in balance. You can prepare a reconciliation report at this time by selecting the *Yes* button on the screen and following the prompts that follow.

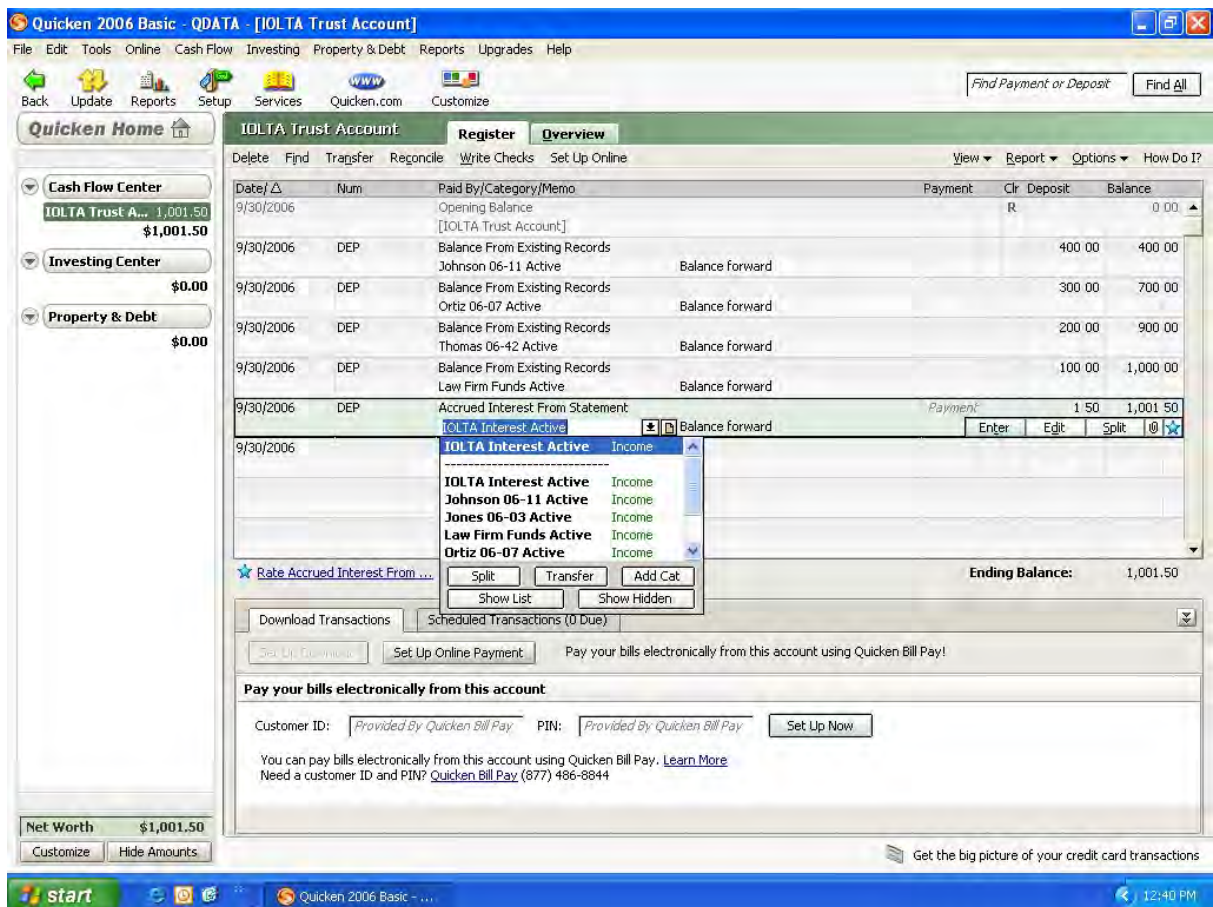
You are now ready to begin entering contemporaneous trust account transactions.

III. ENTERING NEW TRANSACTIONS

After you have set up the *Quicken*® account, every trust account transaction – checks and other disbursements, deposits, interest credits and debits, bank charges – must be contemporaneously entered into the check register. Remember the following:

- Always record the client or other account identity in the *category* column and use the same identity every time for that client.

- When creating new category accounts for clients, always include the word “active” in the account name and always set up the category as an *Income* category.
- The identities entered in the *category* column can either be names, numbers or a combination of both. Using a combination of name and number allows multiple sub-accounts to be set up for one client with unrelated representations (e.g., active real estate and personal injury representations involving the same client).
- After a category name has been established, using the pull-down menu in the *category* column for subsequent transactions will expedite data entry and help to eliminate errors.



Recording Automatic or Paperless Transactions From the Bank Statement. All transactions that appear on the monthly trust account bank statement that have not been entered into the checkbook register must be entered prior to reconciling the bank

statement. These “paperless” transactions will typically be IOLTA interest that was credited and debited during the month and, in some cases, may include service charges, check return fees, wire transfer fees, overdraft fees, check printing charges and other bank related charges.

Enter these paperless transactions to the checkbook register, again remembering to include the same *category* for each credit or debit item.

For IOLTA Accounts WITHOUT Monthly Service or Transaction Charge:

Follow the steps below to record interest and related transactions:

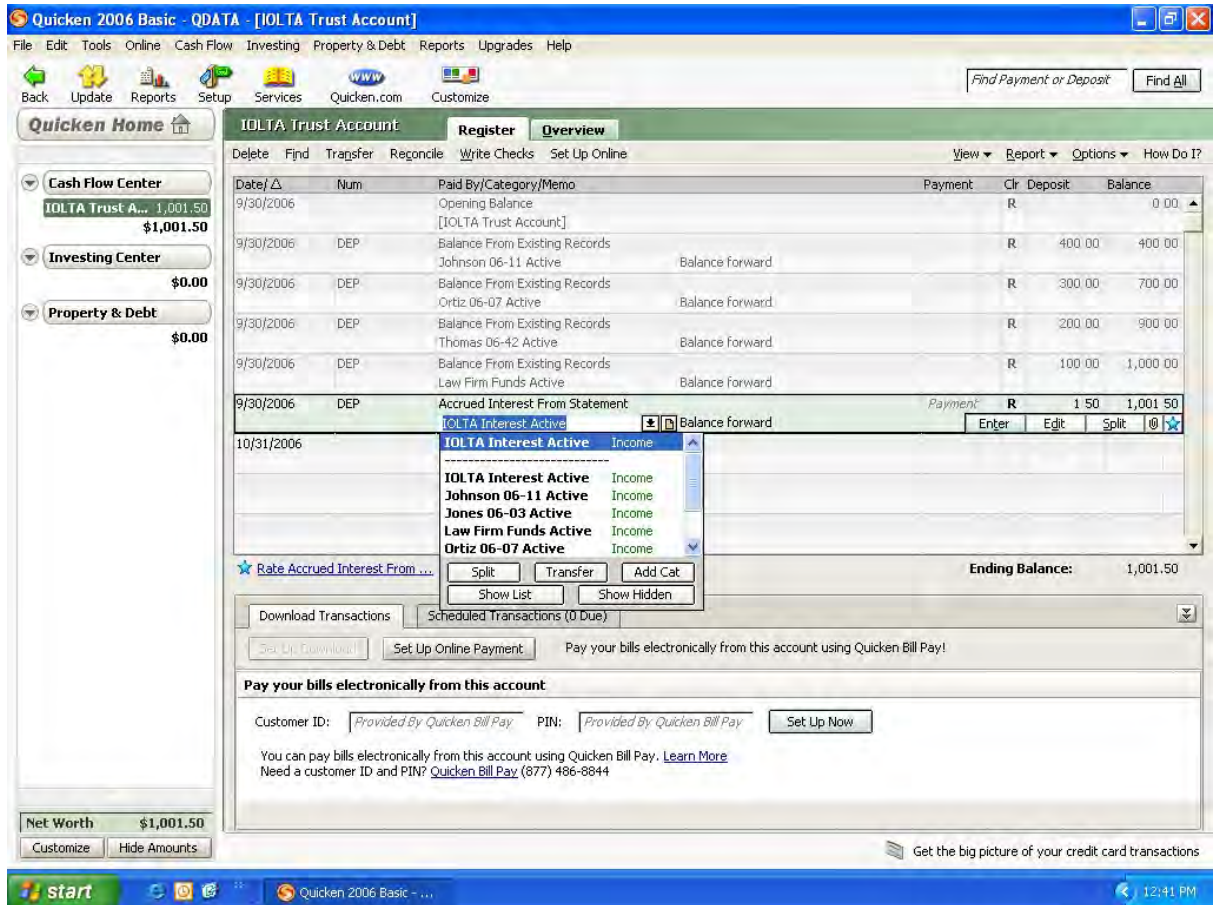
- Record all interest credits and debits appearing on the bank statement to the *IOLTA Interest* category.
- Record all check printing charges, overdraft fees, wire transfer fees, stop payment charges, overdraft fees, check return charges and other bank fees to the category that has been created for law firm funds.

For IOLTA Accounts WITH a Monthly Service or Transaction Charge:

Follow the steps below to record interest and related transactions:

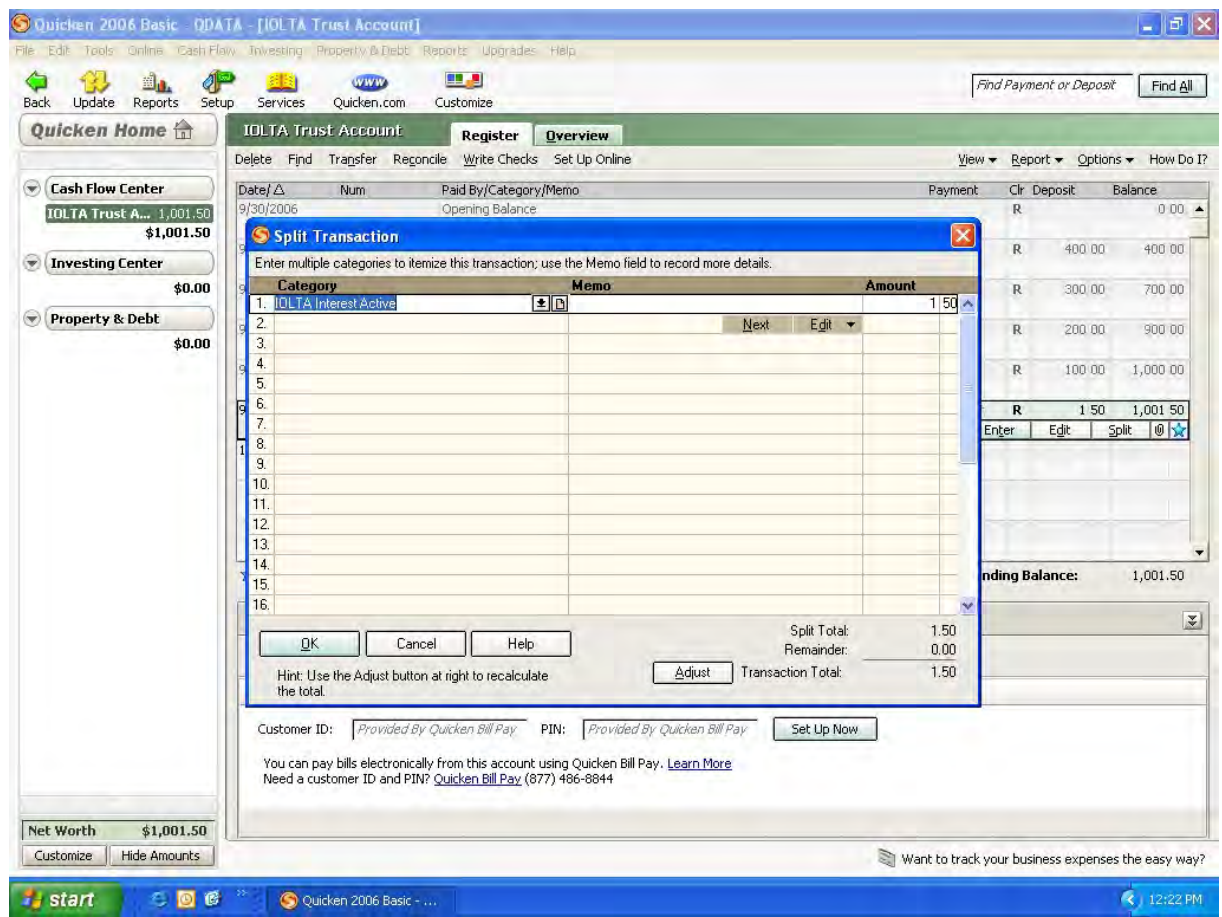
- Record both interest and service charge entries to the law firm funds category. *See* Rule 1.15(a)(1), MRPC. For accounts to which regular service charges are assessed, the service charge is offset by the interest earned. Where the service charge exceeds the interest earned, the excess service charge must be paid with, or covered by, law firm funds and not client funds.
- If possible, attorneys should maintain their trust accounts in banks that do not assess monthly service charges or transaction fees.
- All other bank fees or charges -- check printing, overdraft, wire transfer, stop payment, check return and all others -- should be posted to the category created for law firm funds.

Splitting a Transaction Between Different Clients. The *Split* function in *Quicken®* allows a single transaction to be allocated among two or more client categories. The *Split* option appears at the bottom left-hand corner of the pull-down menu in the category field.



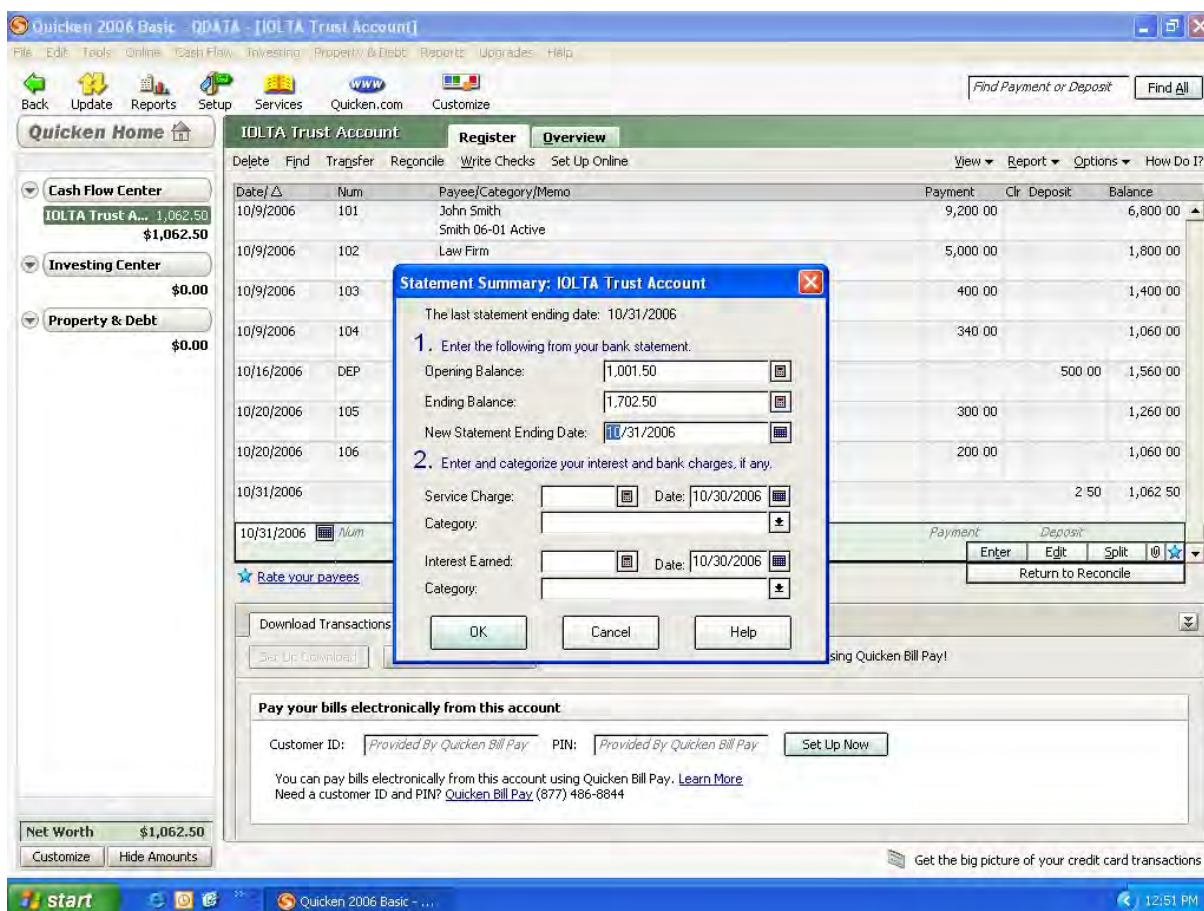
The *Split* function facilitates the writing of a single check at the end of the month or billing cycle for the aggregate amount due from trust funds for multiple clients during that month or billing cycle.

- To split a transaction among client categories, enter the check (date, number, payee and amount) in the register. Instead of selecting an individual client in the category field, click on the *Split* button that appears at the bottom left-hand corner of the pull-down menu in the category field.
- The screen below will appear and will allow you to “split” the amount of the check among any number of client categories. You can use client categories you have already created using the pull-down menu in the category field of the *Split Transaction* window.



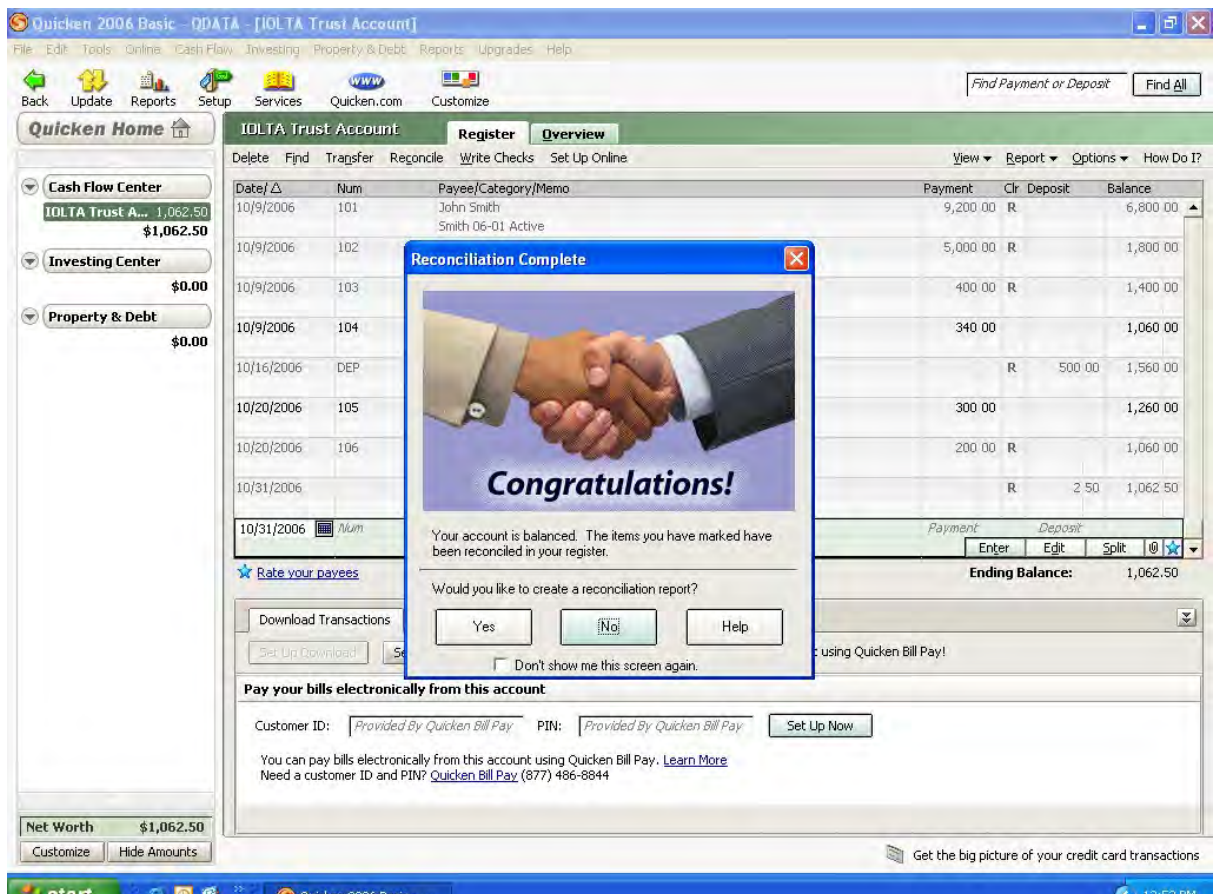
IV. RECONCILING THE BANK STATEMENT WITH THE CHECKBOOK REGISTER

- After you have entered all of the automatic or paperless transactions appearing on the bank statement into *Quicken®*, as described above, it is time to reconcile your bank statement to your *Quicken®* account. Click on *Cash Flow* on the menu bar and select *Reconcile*.
- In Section 1 of the screen that appears, enter the *Opening Balance* shown on the bank statement you are reconciling (it should already be there) and the *Ending Balance* from the same bank statement. (You may also need to enter the *New Statement Ending Date*, which is the closing date of the bank statement you are reconciling.)
- Ignore the fields for *Service Charges* and *Interest Earned* that appear in Section 2 of the screen. Click *OK*.

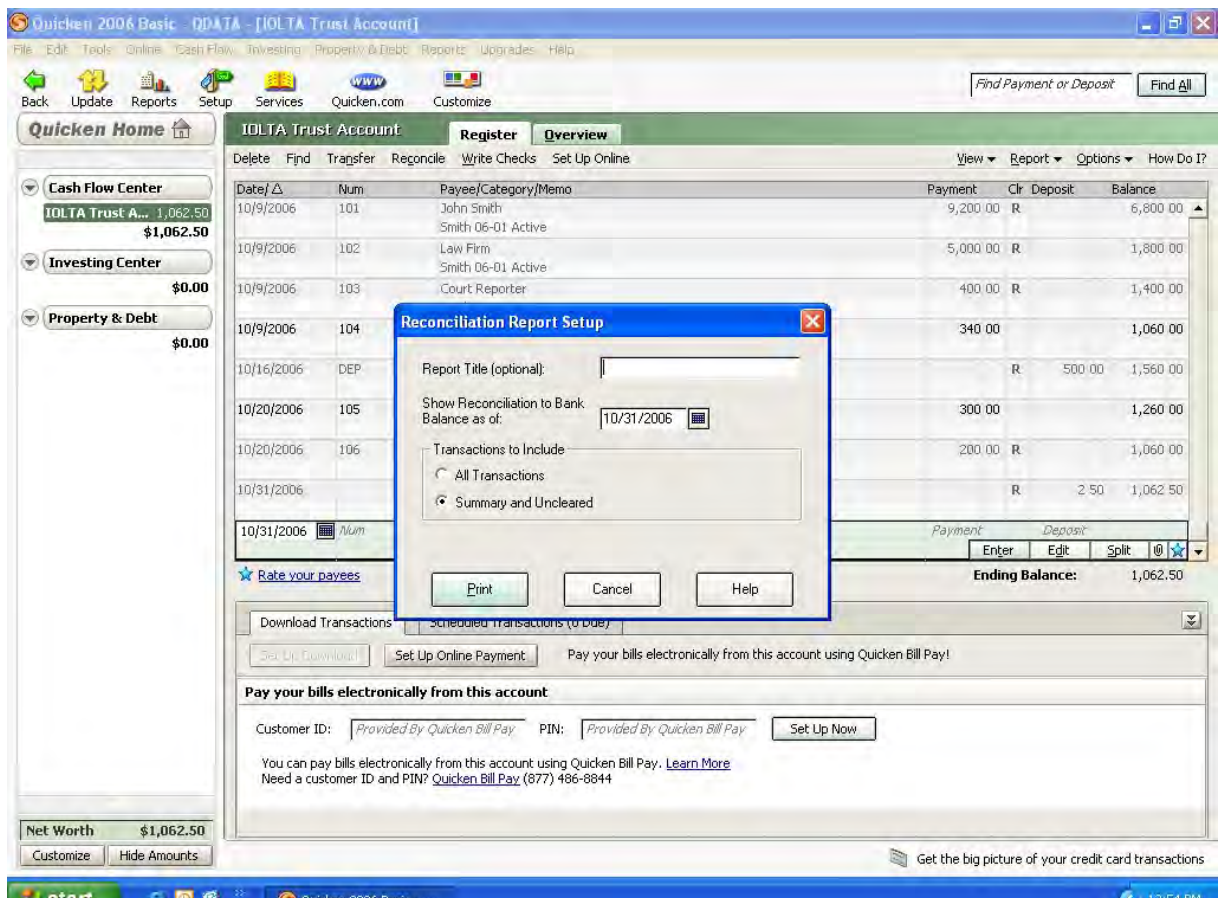


- A screen will then appear listing *Payments and Checks* in a column on the left-hand side and *Deposits* on the right-hand side.
- Determine which *Payments and Checks* and *Deposits* have cleared the trust account (i.e., appear on the bank statement).
- With respect to each *Payment and Check* that has cleared, click in the *CLR* column next to the transaction.
- With respect to each *Deposit* that has cleared, click in the *CLR* column next to the transaction.
- Do not click on *CLR* for items that have not cleared (e.g., Dr. Expert and Joe Jones checks).

- [illegible]



- Print the Reconciliation Report by answering *Yes* to the question “Would you like to create a reconciliation report?” and selecting the *Print* button on the screen that follows.



- On the *Reconciliation Report Setup* screen, be sure the *Show Reconciliation to Bank Balance as of* date is correct. The *Summary and Uncleared* button should be chosen under *Transactions to Include*. Click *Print*.

- The first page of the Reconciliation Report that appears summarizes the transactions that have cleared the trust account and appear on the bank statement being reconciled, and those transactions that have not cleared the trust account and do not appear on the statement being reconciled.

IOLTA Trust Account
3/13/2009

Reconciliation

Page 1

Reconciliation Summary

BANK STATEMENT -- CLEARED TRANSACTIONS:

Previous Balance:			1,001.50
Checks and Payments	5	Items	-14,801.50
Deposits and Other Credits	3	Items	15,502.50
Service Charge	0	Items	0.00
Interest Earned	0	Items	0.00
Ending Balance of Bank Statement:			1,702.50

YOUR RECORDS— UNCLEARED TRANSACTIONS:

Cleared Balance:			1,702.60
Checks and Payments	2	Items	-640.00
Deposits and Other Credits	0	Items	0.00
Register Balance as of 10/31/2006:			1,062.50
Checks and Payments	0	Items	0.00
Deposits and Other Credits	0	Items	0.00
Register Ending Balance:			1,062.50

- Page two of the Reconciliation Report provides an itemized report with the details of all uncleared transactions if any.

Reconciliation							Page 2
IOLTA Trust Account 3/13/2009							
Uncleared Transaction Detail up to 10/31/2006							
Date	Num	Payee	Memo	Category	Clr	Amount	
Uncleared Checks and Payments							
10/9/2006	104	Dr. Expert		Smith 06-01 Active		-340.00	
10/20/2006	105	Joe Jones		Jones 06-03 Active		-300.00	
Total Uncleared Checks and Payments				2 Items		-640.00	
Uncleared Deposits and Other Credits							
Total Uncleared Deposits and Other Credits				0 Items		0.00	
Total Uncleared Transactions				2 Items		-640.00	

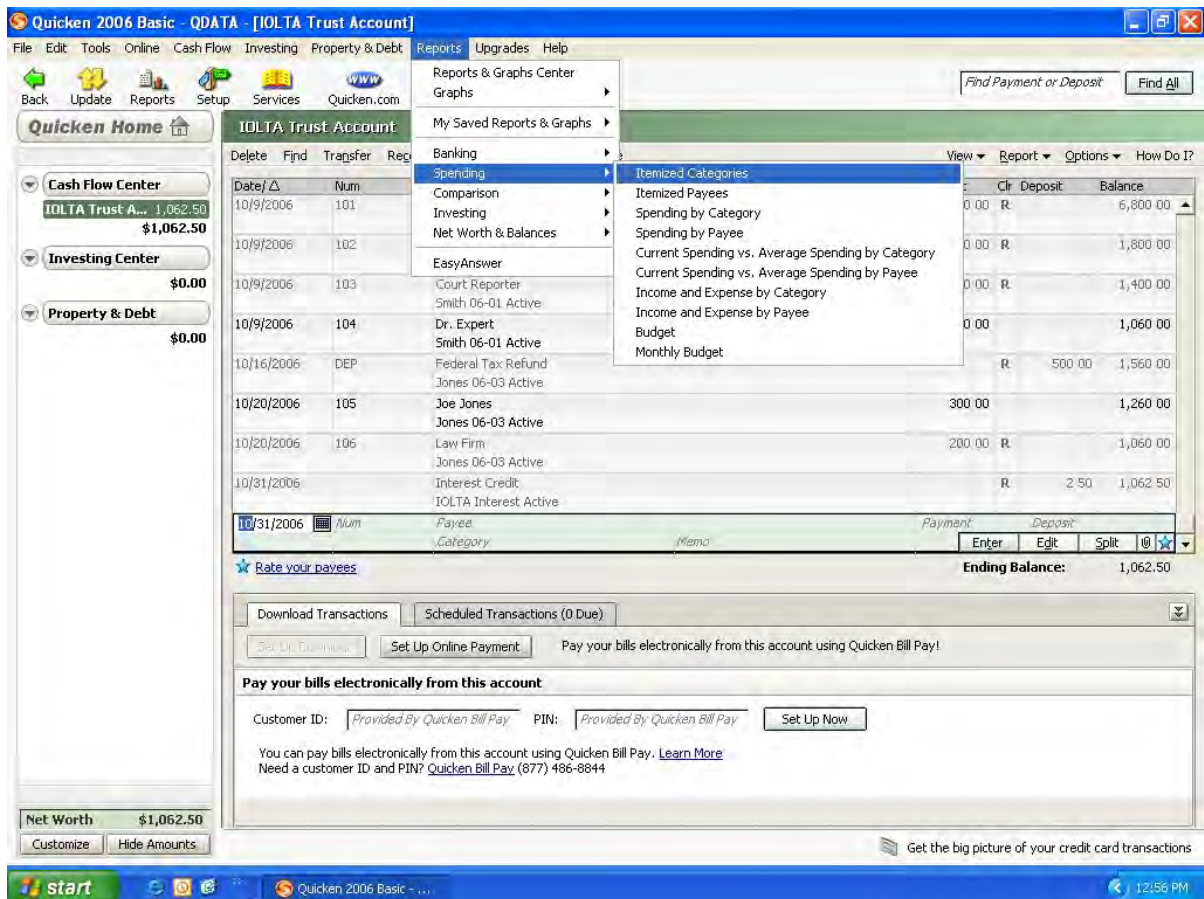
- Lawyers are required to reconcile their trust accounts on a monthly basis. The Reconciliation Reports should be printed and retained in a hard-copy form for the six-year period required by Rule 1.15(h), MRPC.

V. DOING THE SUBSIDIARY LEDGER TRIAL BALANCE

1. First Time Set Up of Client Subsidiary Ledger Trial Balance Report

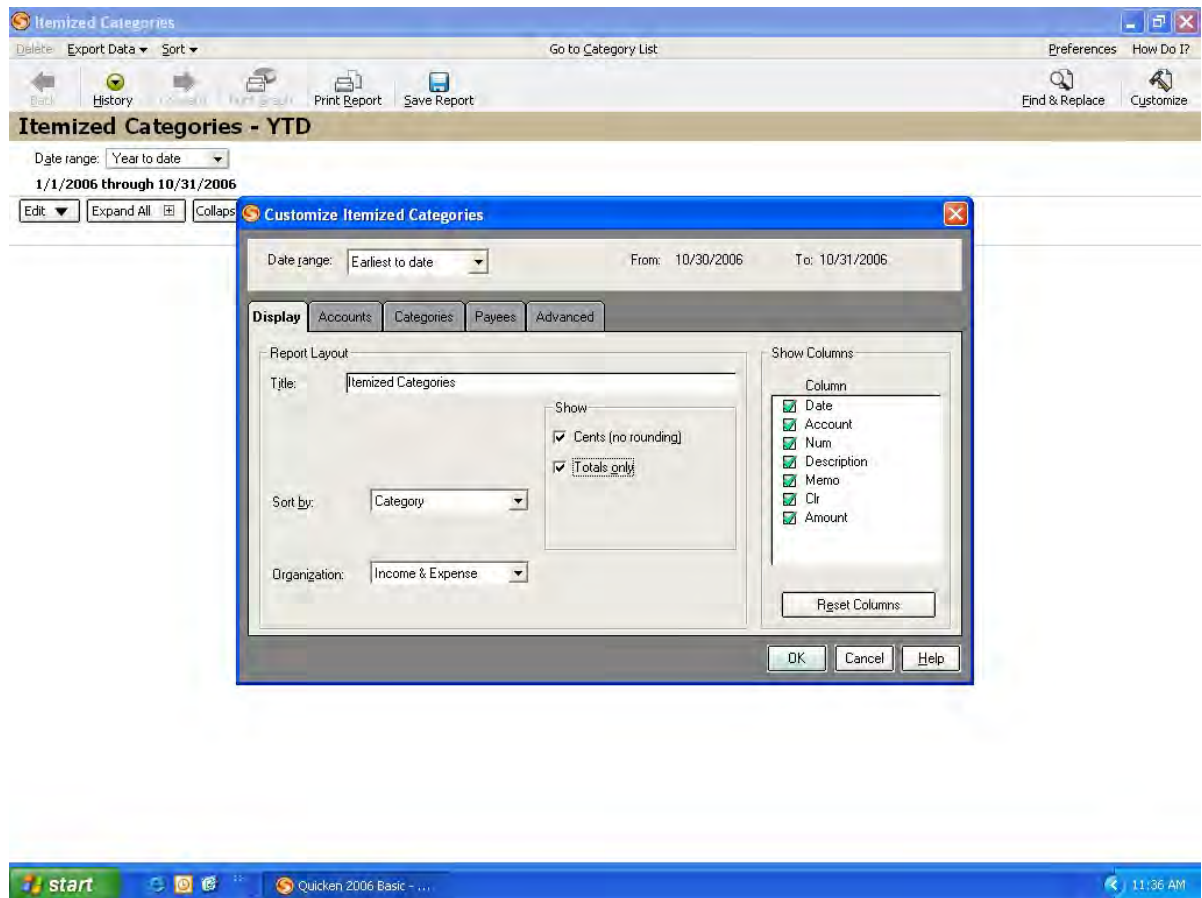
- The trial balance report is most often the report or procedure that lawyers fail to perform. It is a listing and totaling of the balances reflected by the subsidiary ledgers, including any accrued IOLTA Interest and Law Firm Funds balances. Unless the trial balance is regularly performed, a lawyer cannot be assured that the trust account contains sufficient funds to cover aggregate client balances.
- The following first time set up steps need **only** be performed for the initial trial balance report.

- First, delete the unnecessary default categories contained in *Quicken®*. Click on *Tools* on the menu bar and select *Category List*. With respect to every category that displays that does not identify a client account (or your Interest or Law Firm Funds accounts) you have created, choose *Delete* and *OK*.

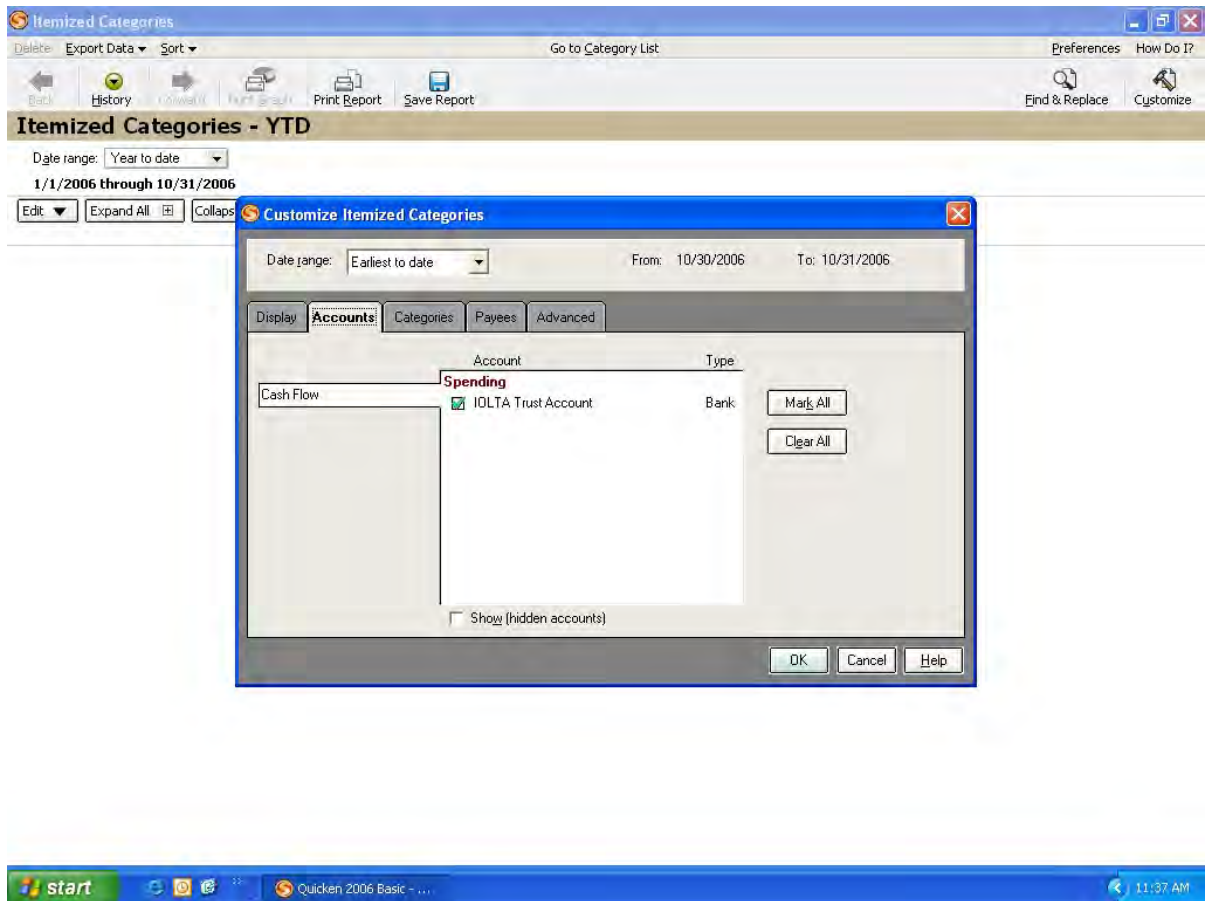


- Pull down the *Reports* menu from the main toolbar, select the *Spending* arrow and then select *Itemized Categories*. The Itemized Categories report will appear.
- Then click *Customize* in the top right-hand corner on the toolbar.
- Display Tab. On the *Display* tab make the following selections:
Date range: Select “*Earliest to date*”
Show: Check the boxes “*Cents (no rounding)*” and “*Totals only*”
Sort by: Select “*Category*”
Organization: Select “*Income & Expenses*”

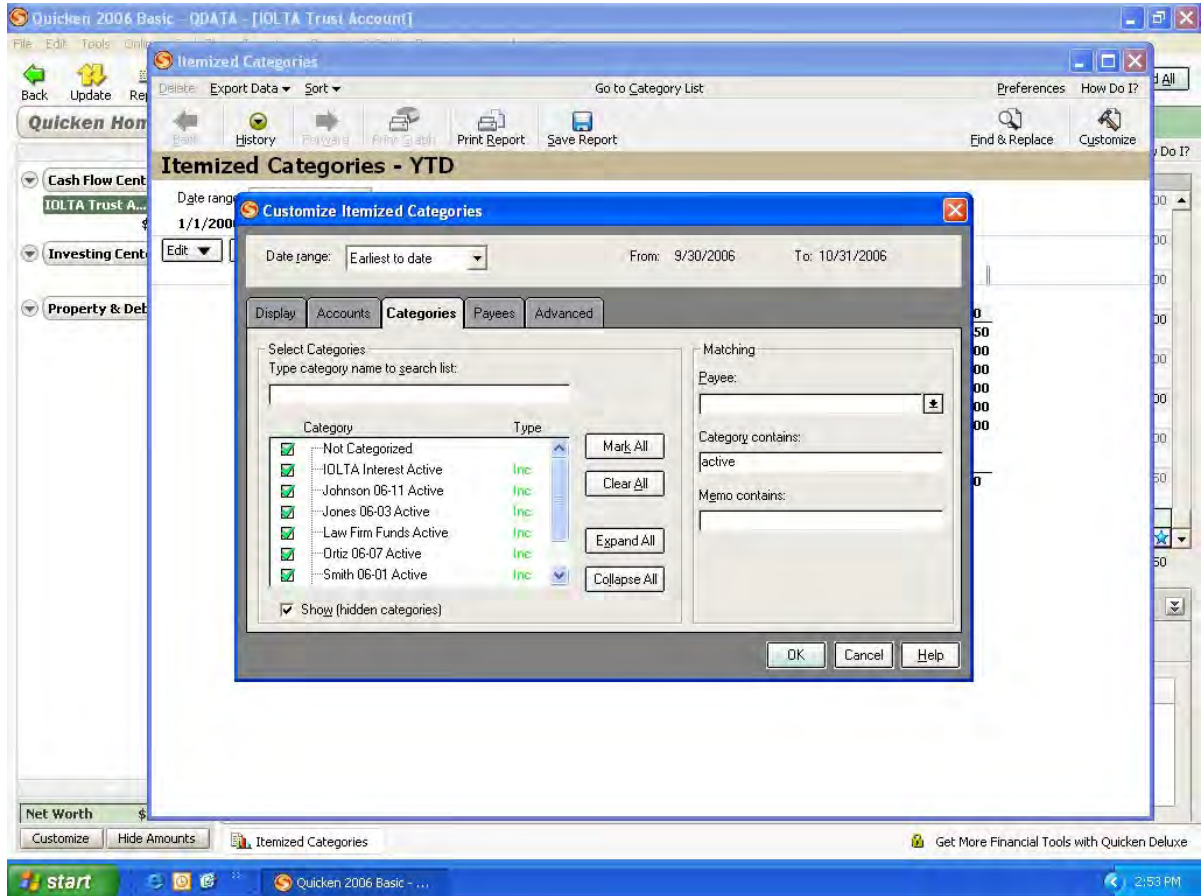
- The *Display* Tab settings are shown below.



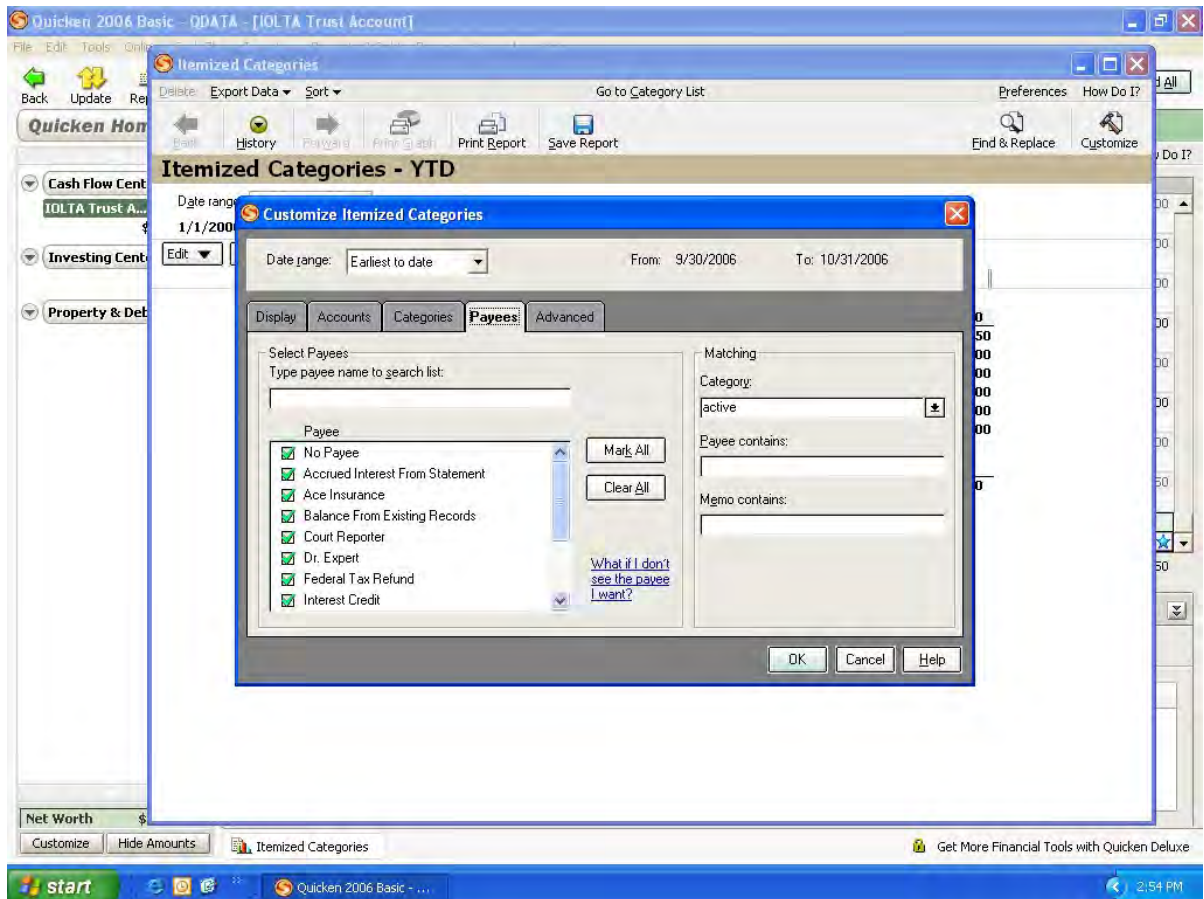
- Accounts Tab. Make sure the name of the account that you are attempting to reconcile or balance is the only account that is checked (i.e. your IOLTA account). The *Date Range* field should already be set to “*Earliest to date.*”



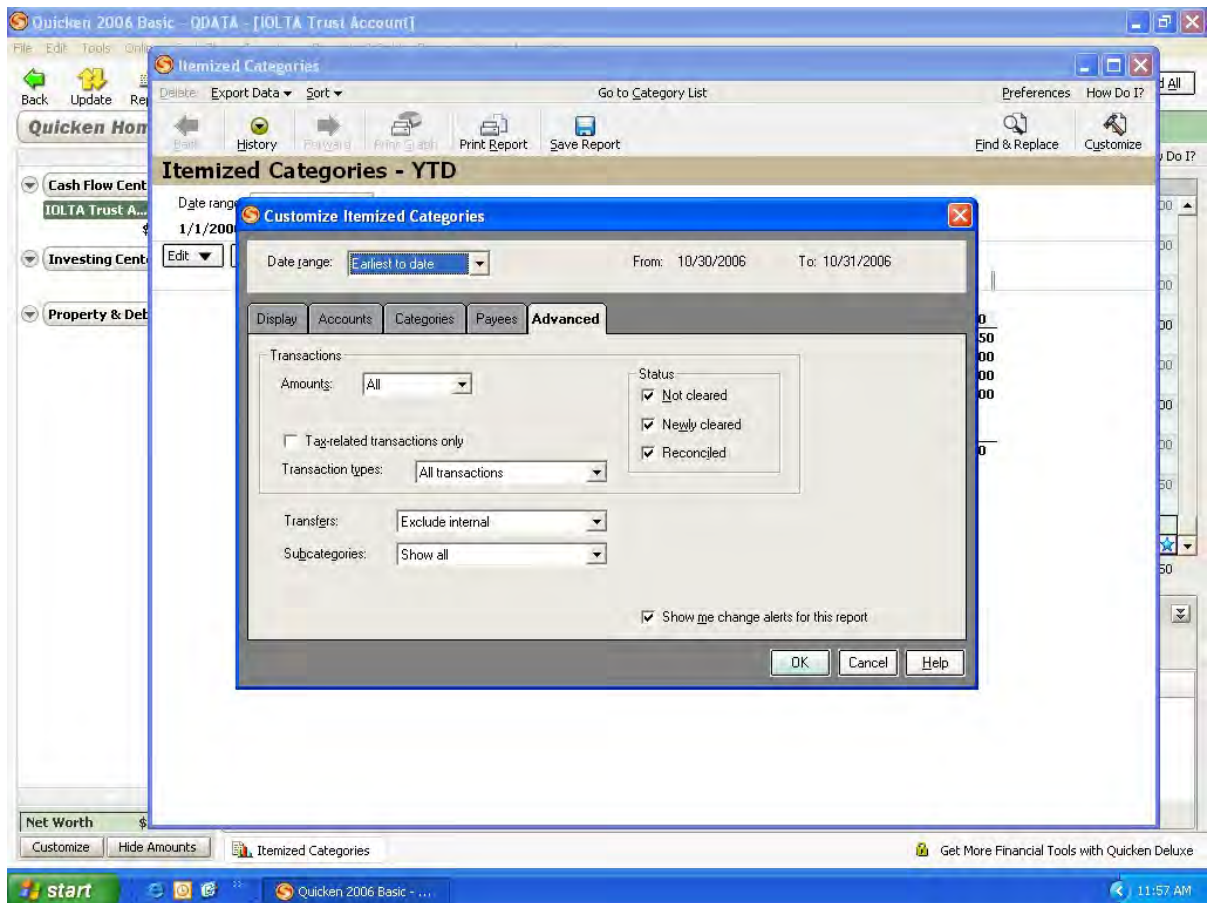
- Categories Tab. Click the *Mark All* button and type “active” in the *Category Contains* window. The categories settings are shown below.



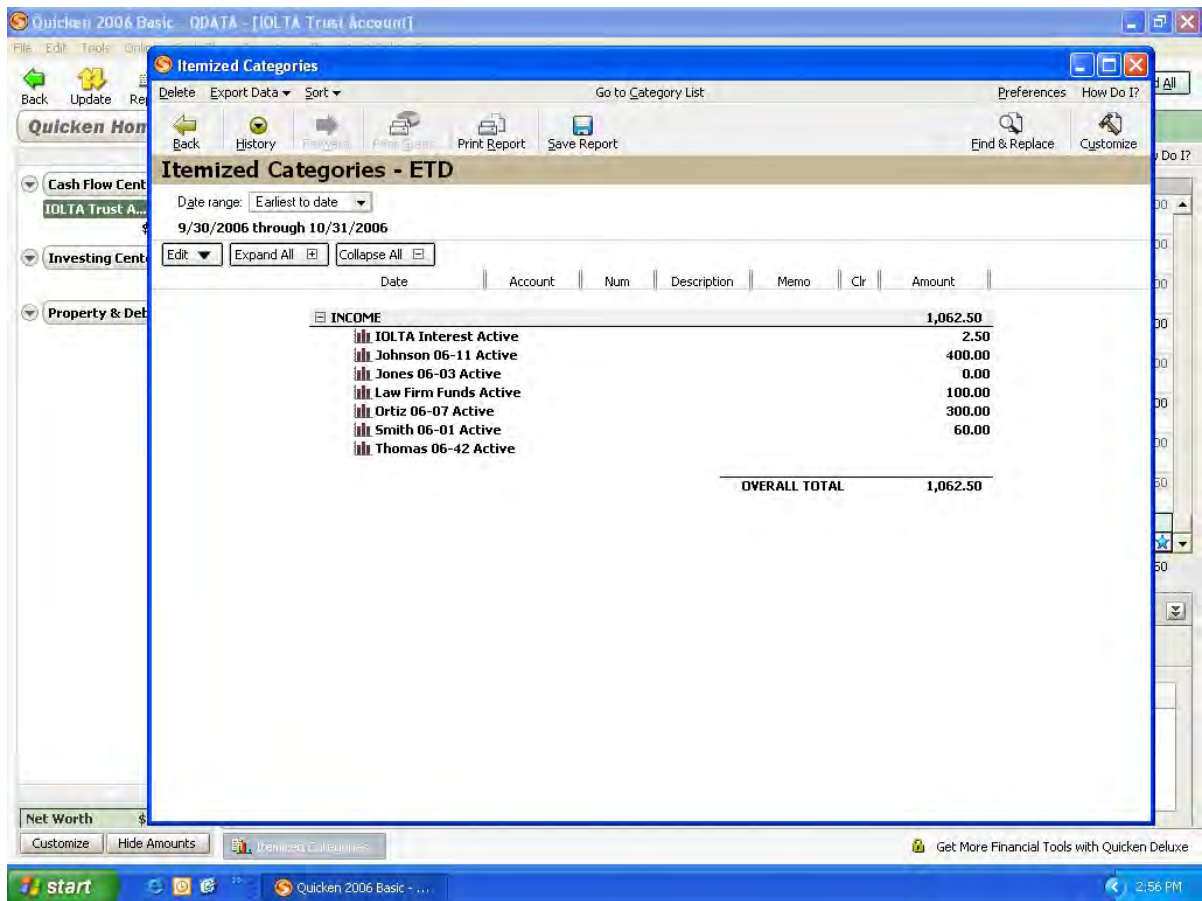
- Payees Tab. Choose *Mark All* and the word “active” should appear in the *Category* window.



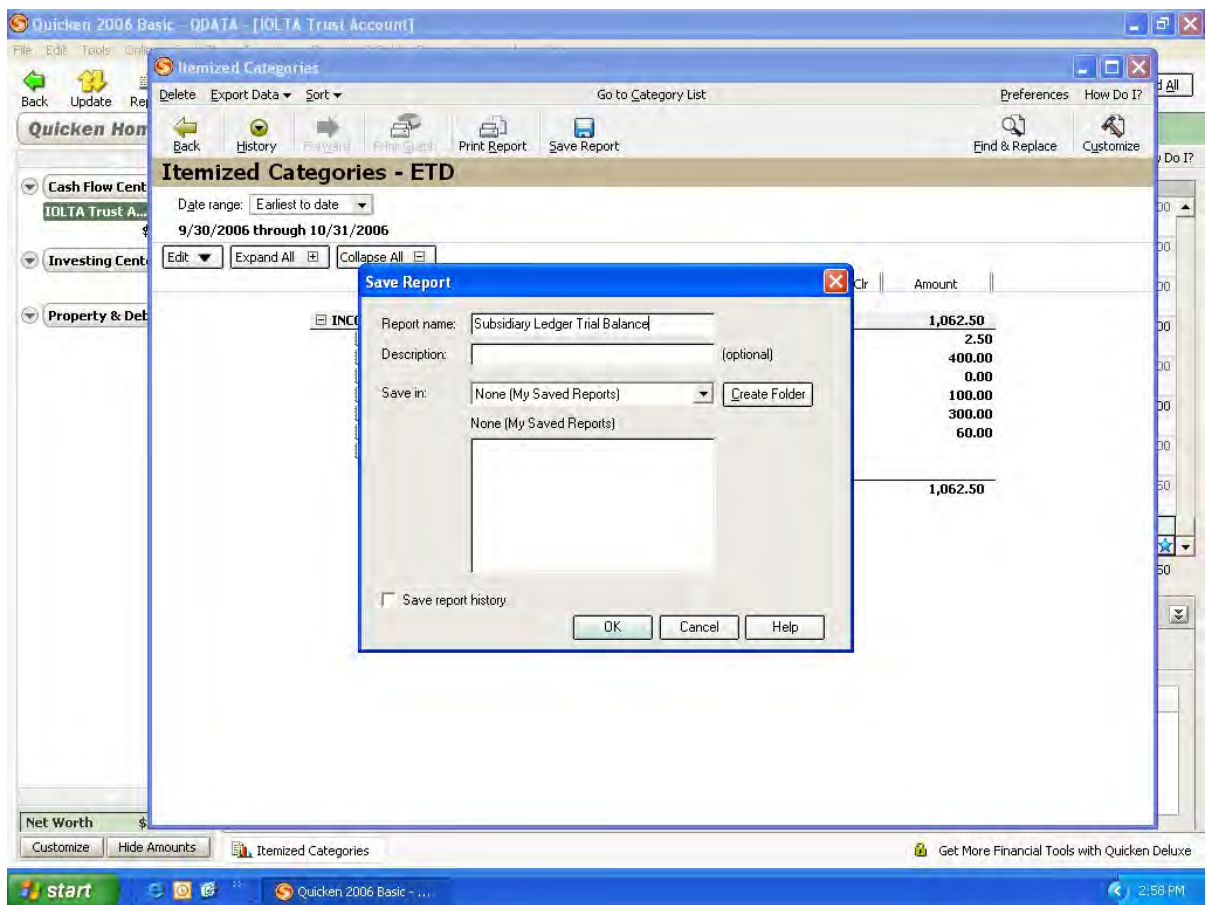
- Advanced Tab. The *Advanced* tab settings are shown below:



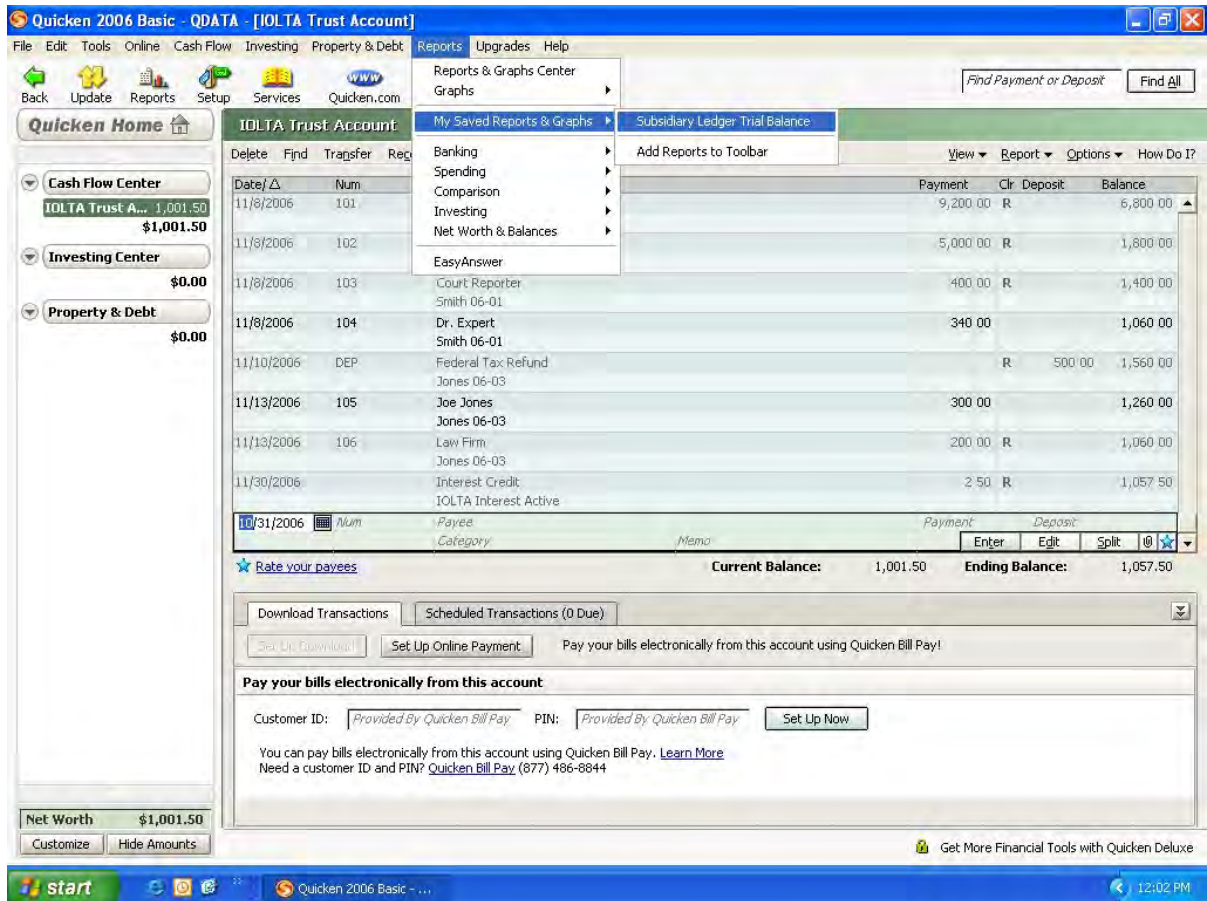
- Once you have made these selections click **OK**. This will generate your Subsidiary Ledger Trial Balance Report which must balance with the *Quicken®* account and adjusted bank statement balances appearing on the Reconciliation Report.



- The Subsidiary Ledger Trial Balance Report should not reflect any negative values for any of the categories listed. If negative values appear or the report total does not reconcile with those shown on the Reconciliation Report, an error(s) exists and must be corrected before the reconciliation and trial balancing process can be completed. If the report total reconciles with the Reconciliation Report, and there are no negative values indicated, you should print the report and attach it to the Reconciliation Report.
- **Memorizing the Report for Future Use.** After you have printed the Subsidiary Ledger Trial Balance Report, click on *Save Report* on the menu bar and in the *Report name* field of the screen that appears type “Subsidiary Ledger Trial Balance.” Click *OK*.

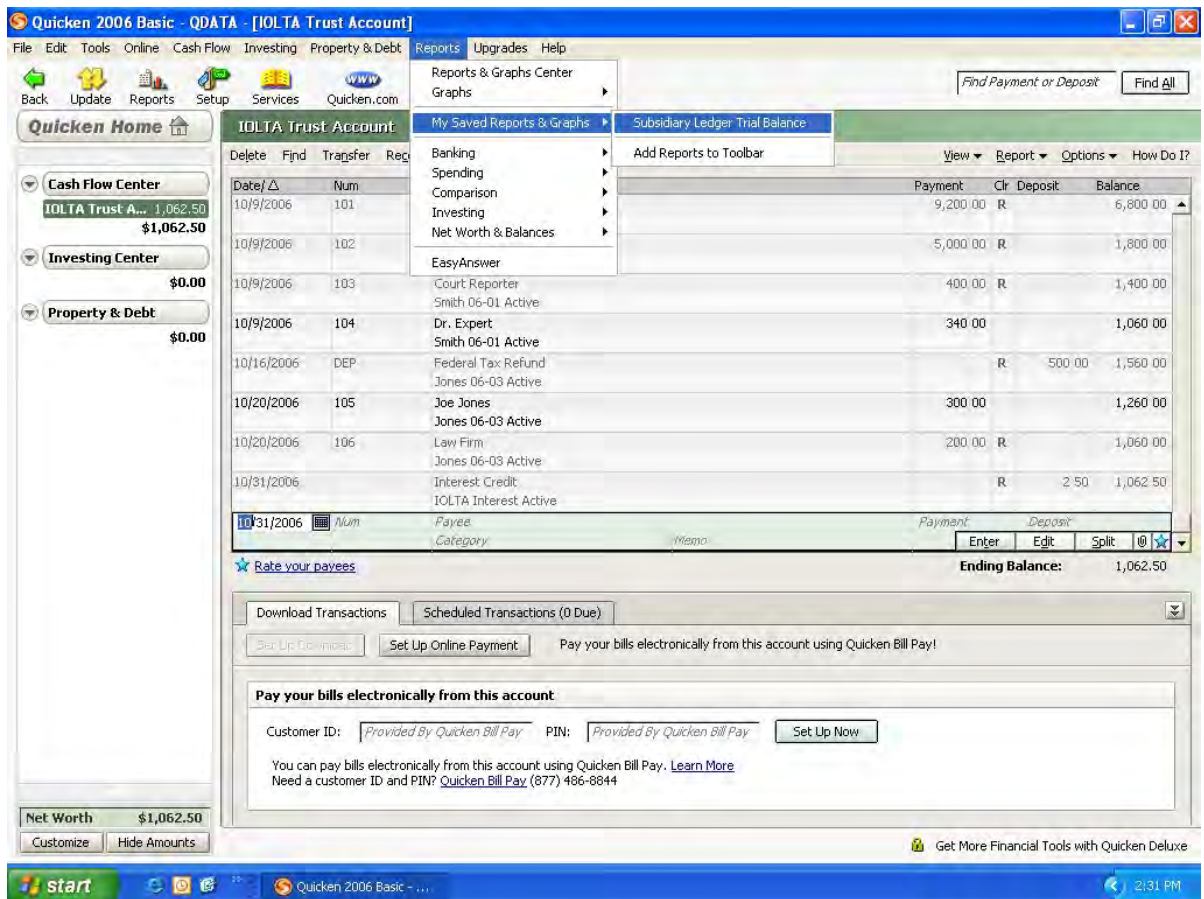


- In future months you can automatically prepare the Subsidiary Ledger Trial Balance Report by accessing it as a *Saved Report* in the *Reports* menu bar.

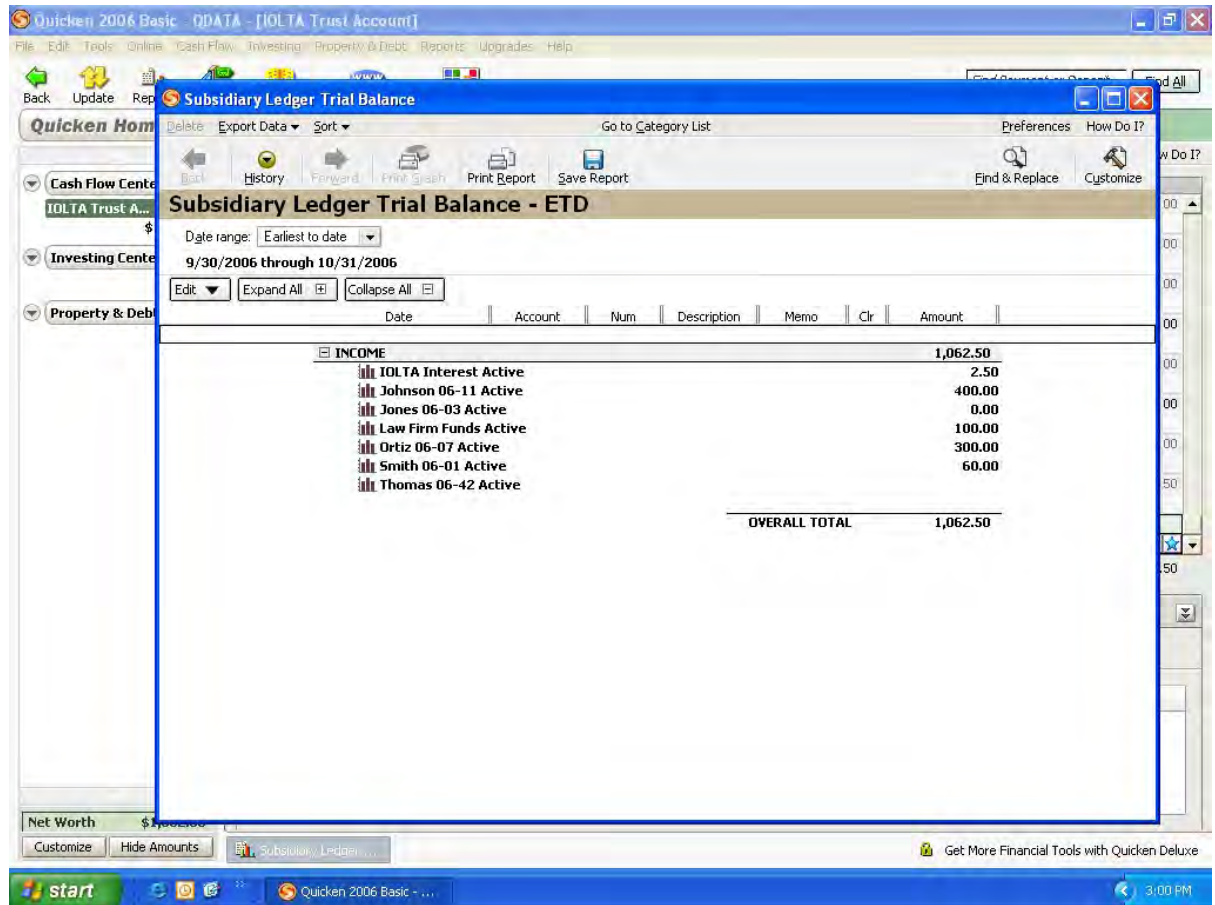


VI. **VIEWING AND/OR PRINTING AN INDIVIDUAL CLIENT LEDGER.**

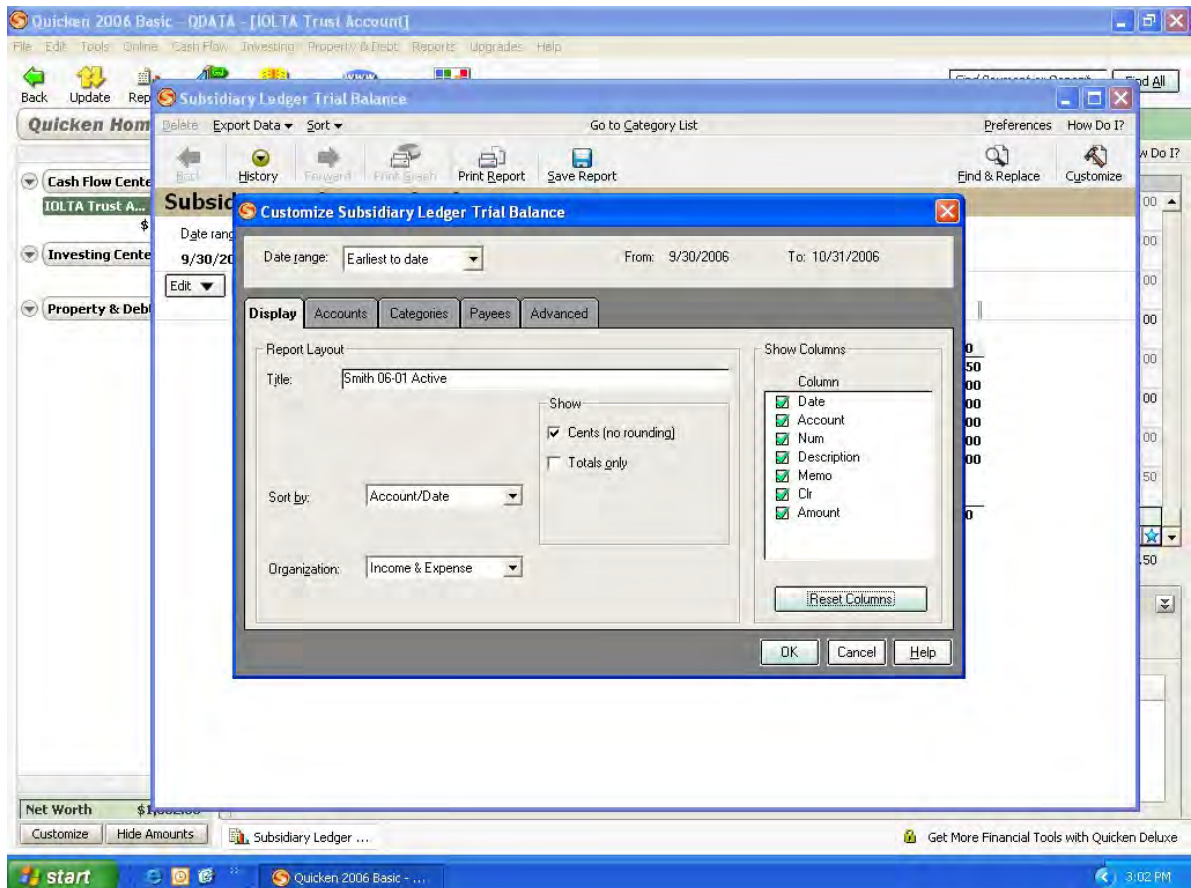
- *Quicken®* will permit you to view or print an up-to-date subsidiary ledger for any client who has, or has had, funds in the trust account.
- To view an individual client ledger, click on the *Reports* menu on the main toolbar, choose *My Saved Reports* and select the Subsidiary Ledger Trial Balance Report previously created.



- The Subsidiary Ledger Trial Balance Report will appear. Click on the *Customize* button in the upper right hand corner of the report.

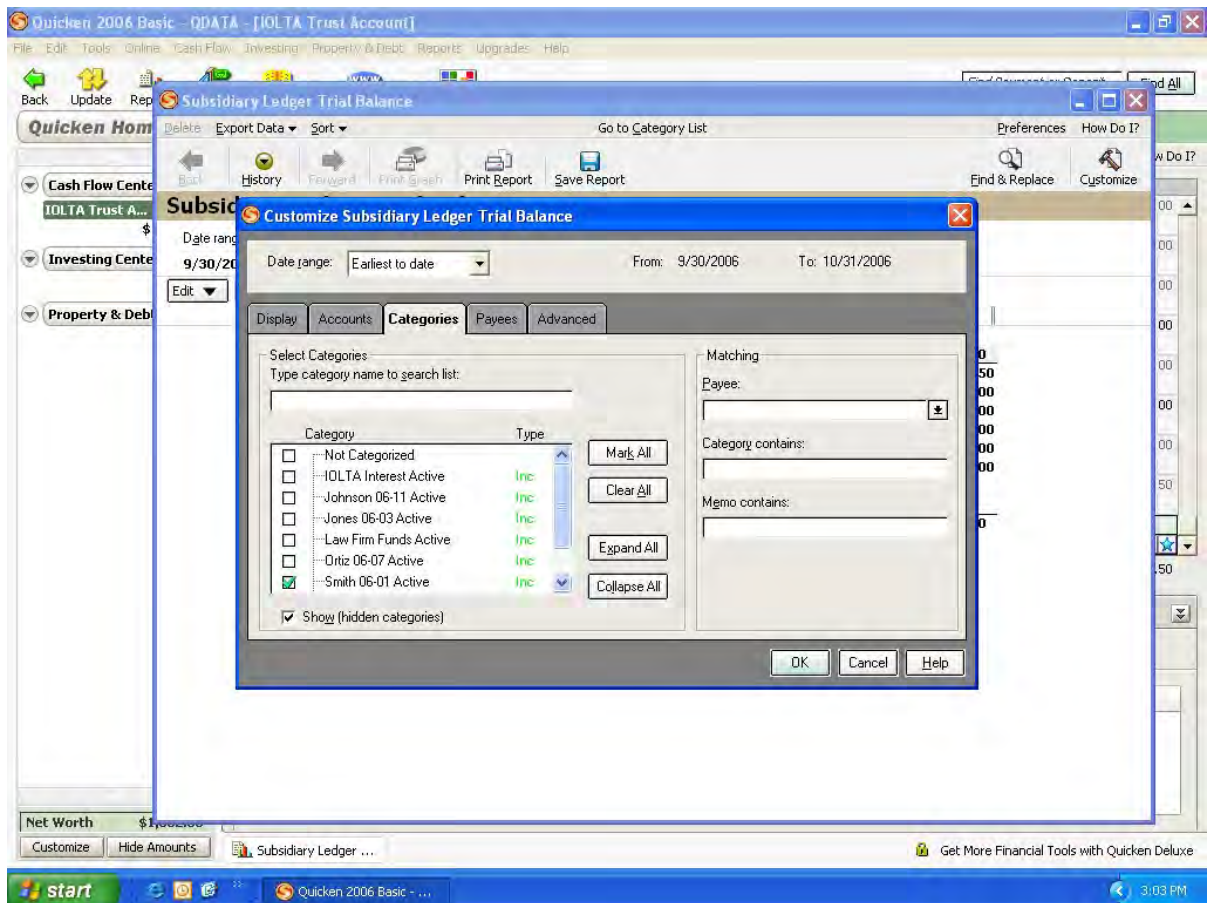


- On the *Display* tab of the screen that appears, type the category of the client or account you wish to view in the *Title* field, uncheck the *Totals Only* field, and under *Sort by*, choose *Account/Date*. The remainder of the settings should appear as below:



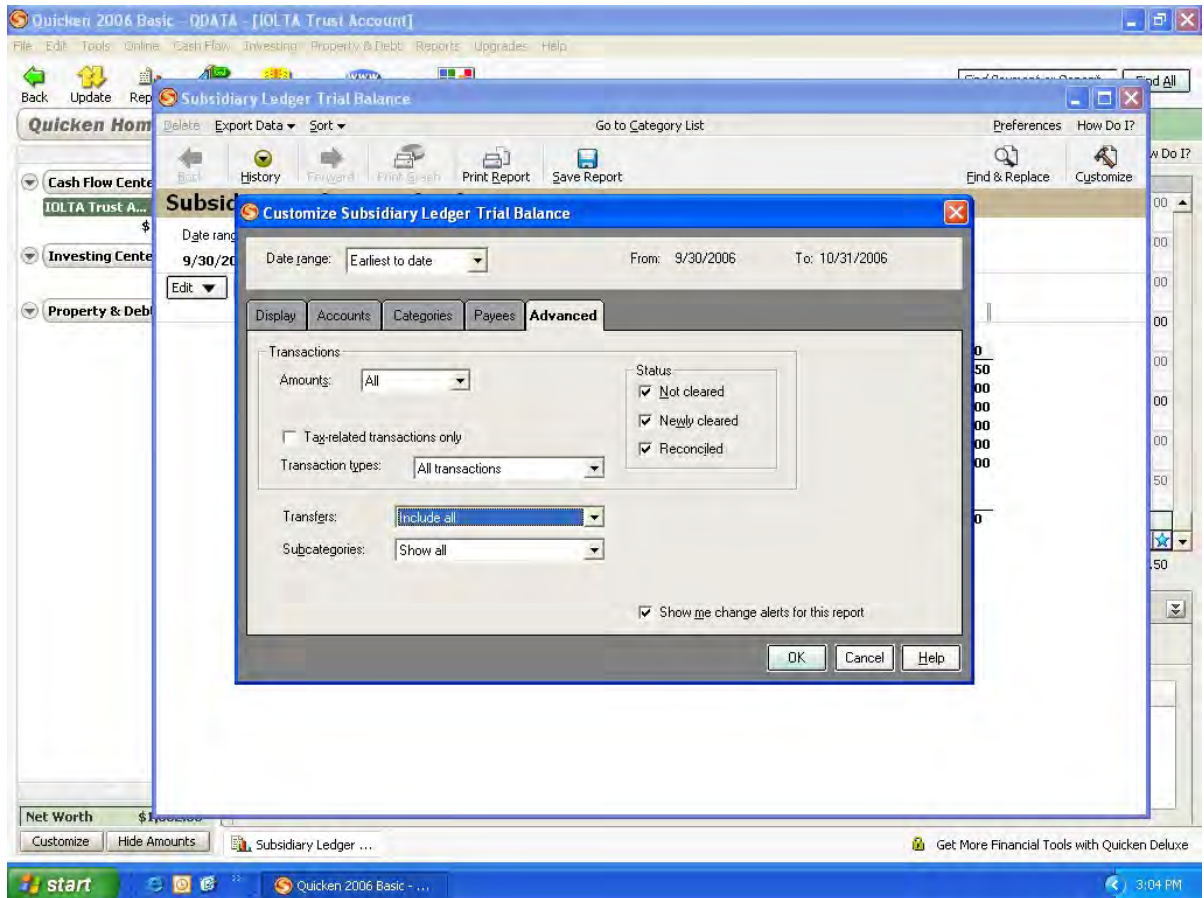
- Remember to reset the columns by selecting the *Reset Columns* button, make sure the *Totals Only* window is **not** checked, and make sure the *Reports Dates* window is set to *Earliest to date*.
- On the *Accounts* tab, make sure only the IOLTA Trust Account has been checked.
- On the *Categories* tab, clear all of the categories by selecting the *Clear All* button, and then check only the category you wish to access from the names or identifiers that appear in the large categories window.

- Remove the word “active” from the *Category Contains* field so that it is empty.

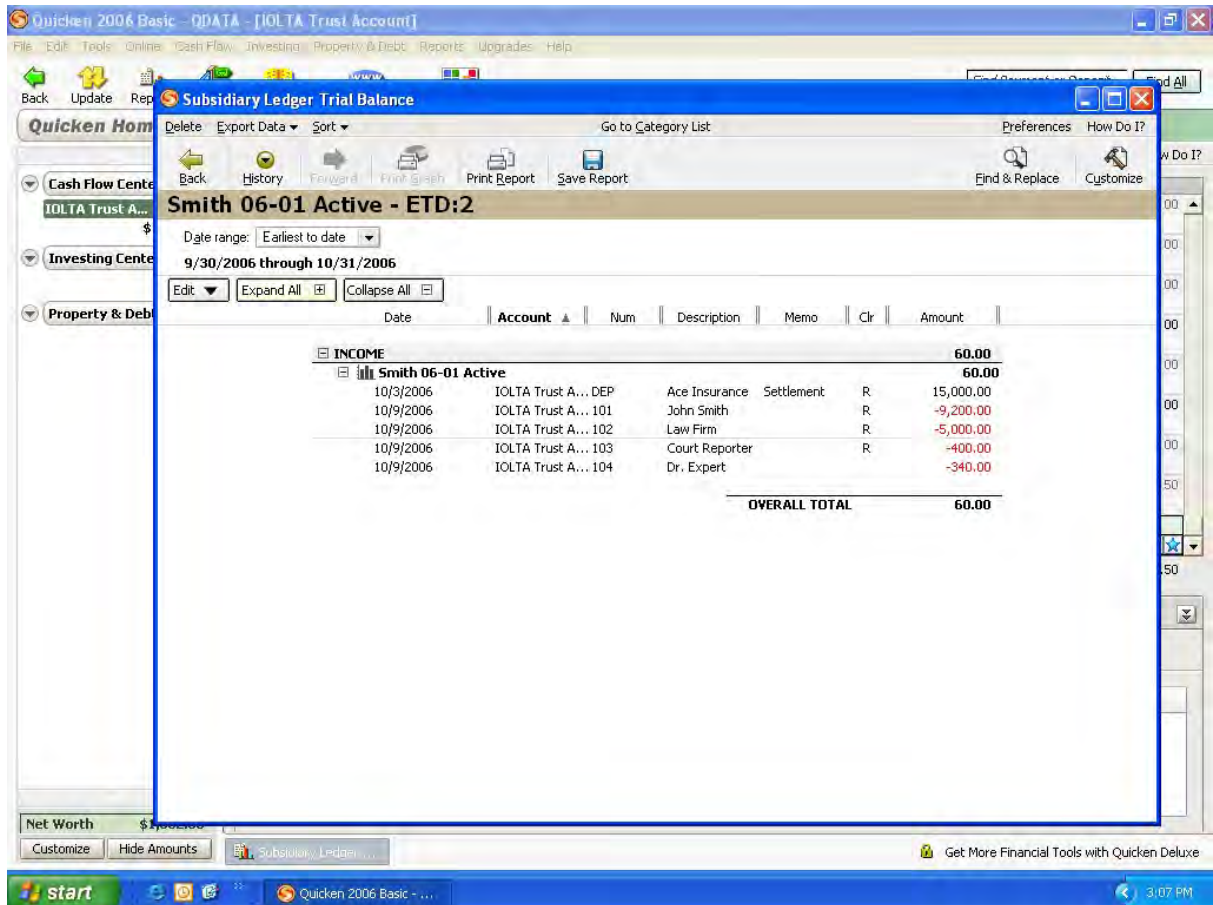


- Make no changes under the *Payees* tab.

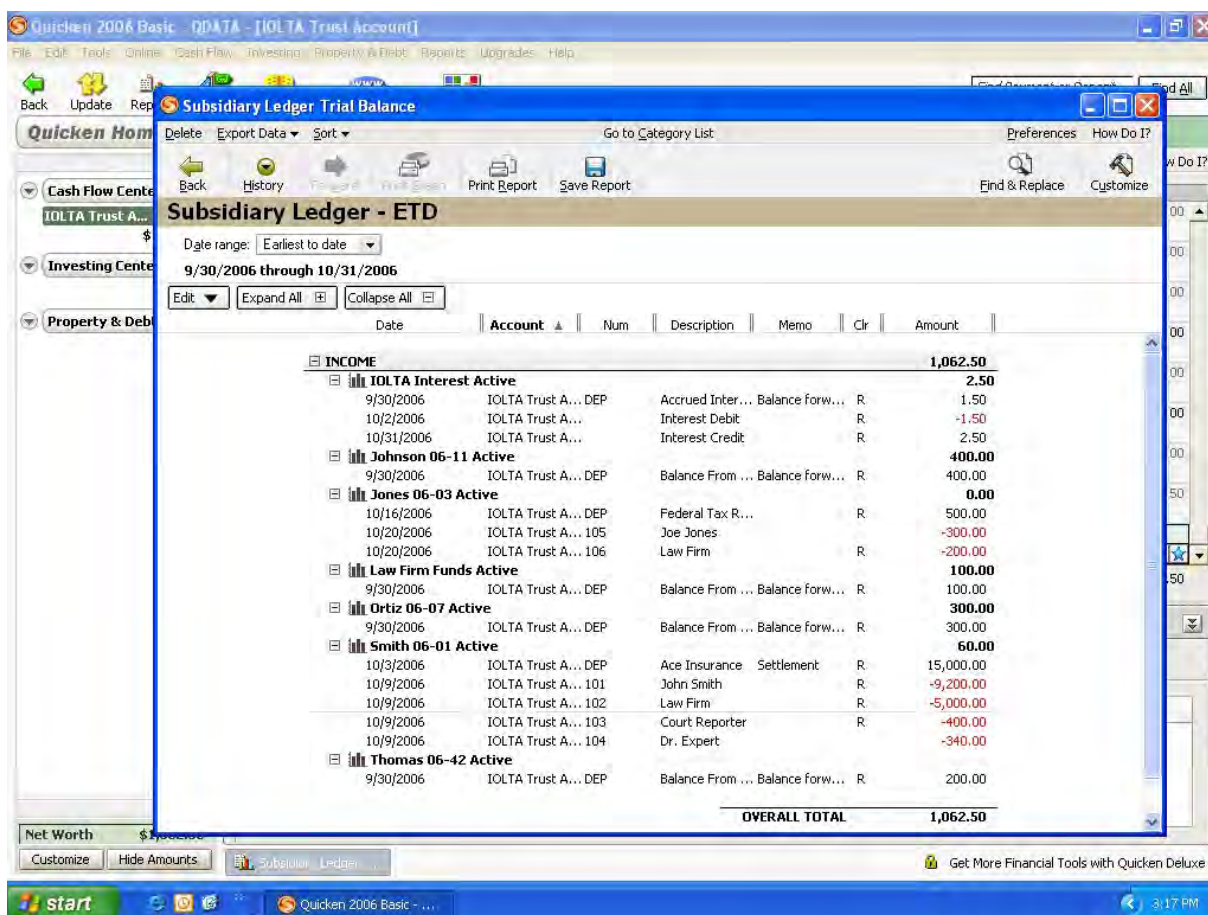
- On the *Advanced* tab, select *Include All* under *Transfers*. All other settings should appear as follows.



- To generate the individual ledger report appearing below, select the *OK* button at the bottom of the window.



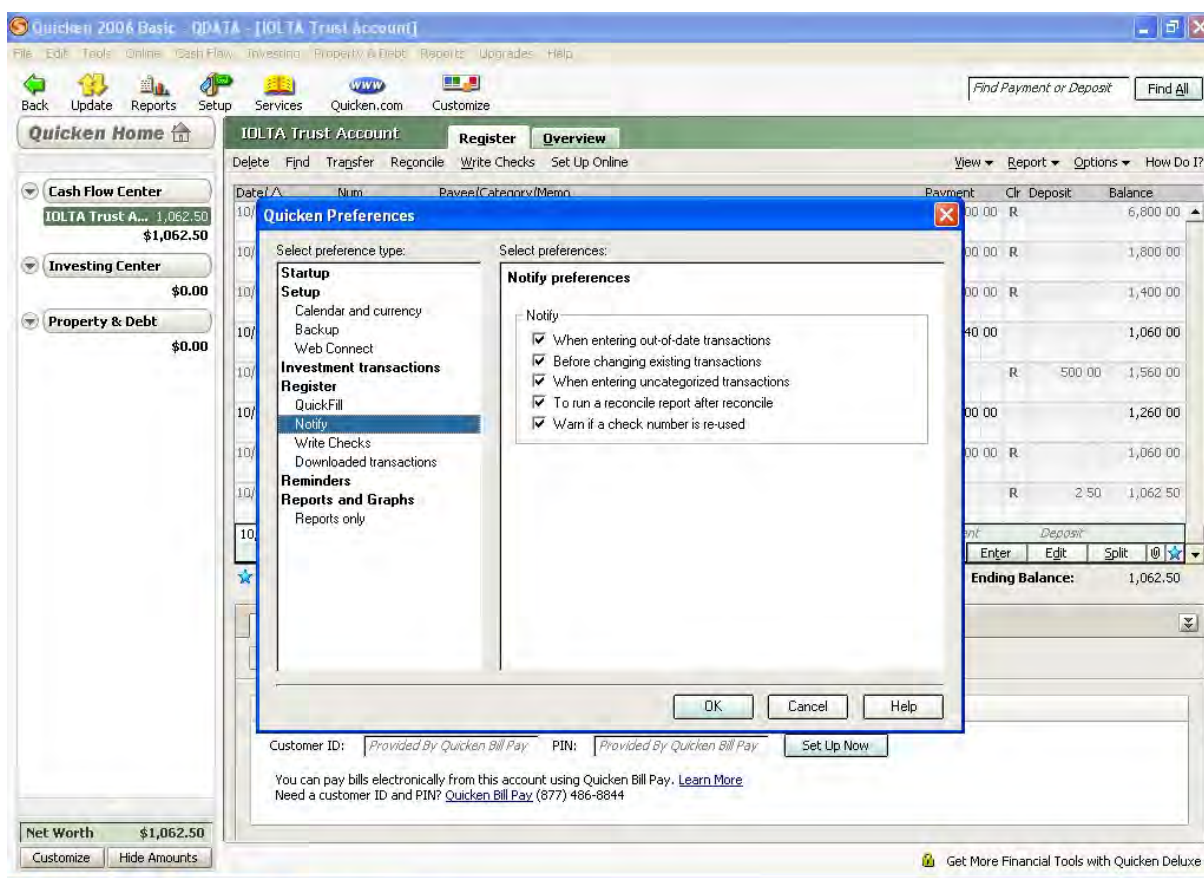
- You may have to click on the *Expand All* button to display all the transactions.
- You can save the individual client subsidiary reports by choosing *Save Report* from the menu bar, naming the report and clicking *OK*.
- You can also display all of your client subsidiary ledgers by simply clicking *Reports* on the menu bar, choosing *Spending and Itemized Categories* and, on the report that displays, clicking *Expand All*.



- This comprehensive set of client subsidiary ledgers can then be saved and/or printed in the manner described above.
- To print the individual client ledger, select *Print Report* from the menu.

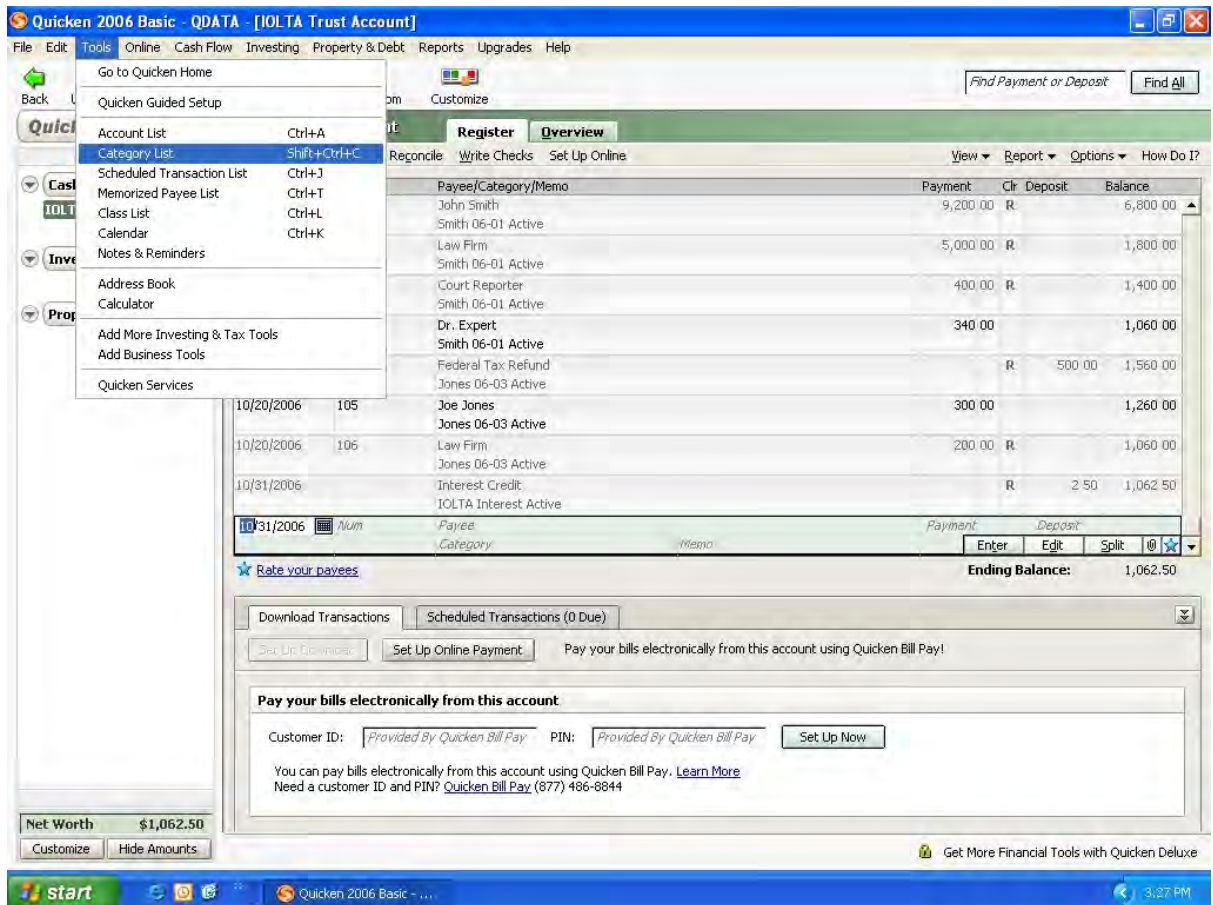
VII. GENERAL TIPS FOR USING QUICKEN®

1. Every transaction entered into *Quicken®* (deposits, checks, service charges, check printing charges, check return charges, overdraft fees, interest earned and interest paid to IOLTA, and any other transaction that appears on the bank statement) must be assigned to a category. You may pre-set *Quicken®* to remind you to always assign a category to each transaction by pulling down the *Options* menu on the register and selecting *Register Options*. In the *Select Preference Type* column that appears on the right side of the screen, select *Notify* under *Register* and ensure that the *When entering uncategorized transactions* box is checked.

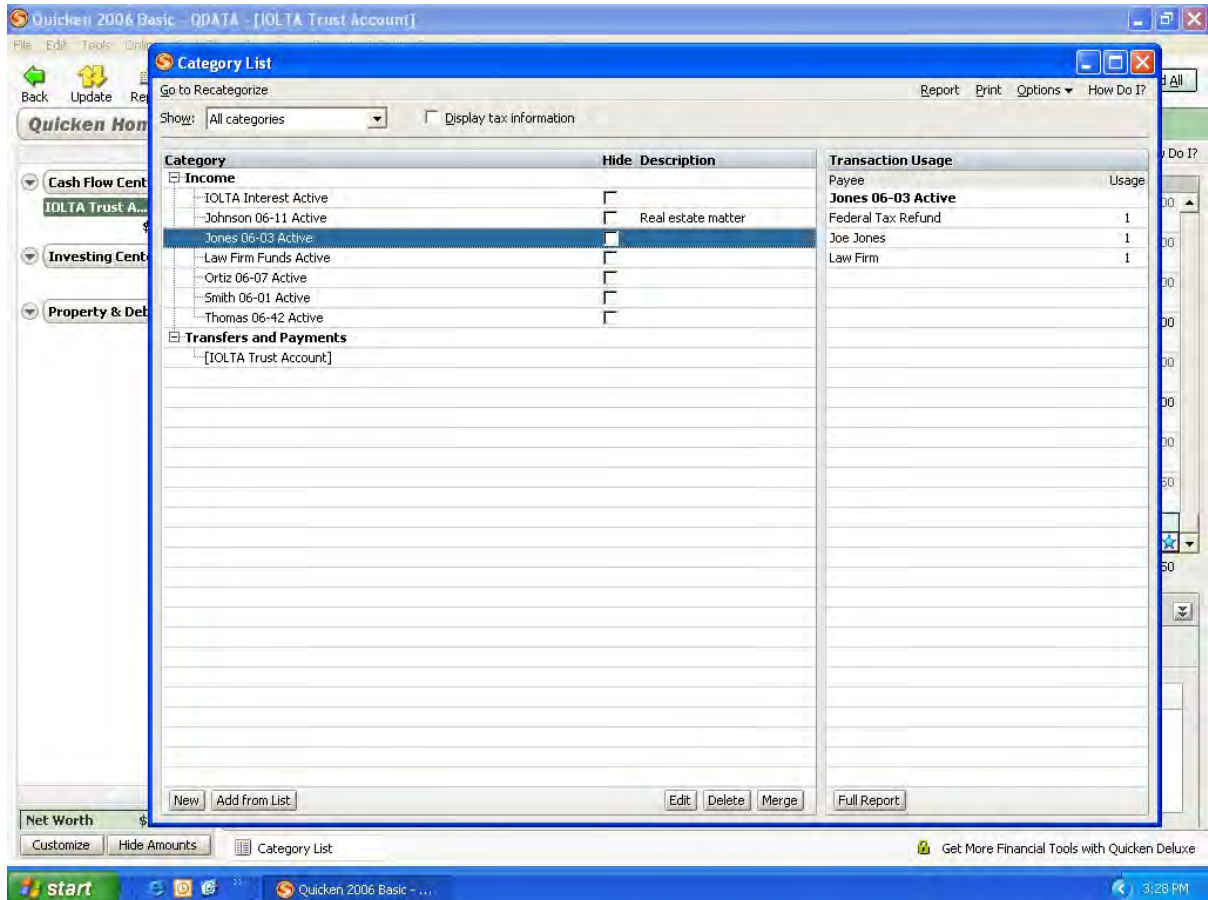


2. When assigning a category to a transaction you must use the **exact same name** for transactions that relate to a specific client. If you do not, *Quicken®* will prepare a second ledger for that client. For example, if the initial transaction for George Smith is assigned to a category entitled “George Smith,” and subsequent entries for George Smith are assigned to a category typed in as “G. Smith,” *Quicken®* will create two different ledgers for George Smith.
3. The *Register Ending Balance* amount on the Reconciliation Report and the total of the Subsidiary Ledger Trial Balance Report must be reconciled regularly. These reports should be printed and saved in hard copy form for the six-year period prescribed by Rule 1.15(h), MRPC.
4. The Subsidiary Ledger Trial Balance Report must be reviewed to ensure there are no negative values that make up the report total. A negative value that appears on behalf of any individual client represents that a disbursement in excess of that client’s funds has been made from the account.

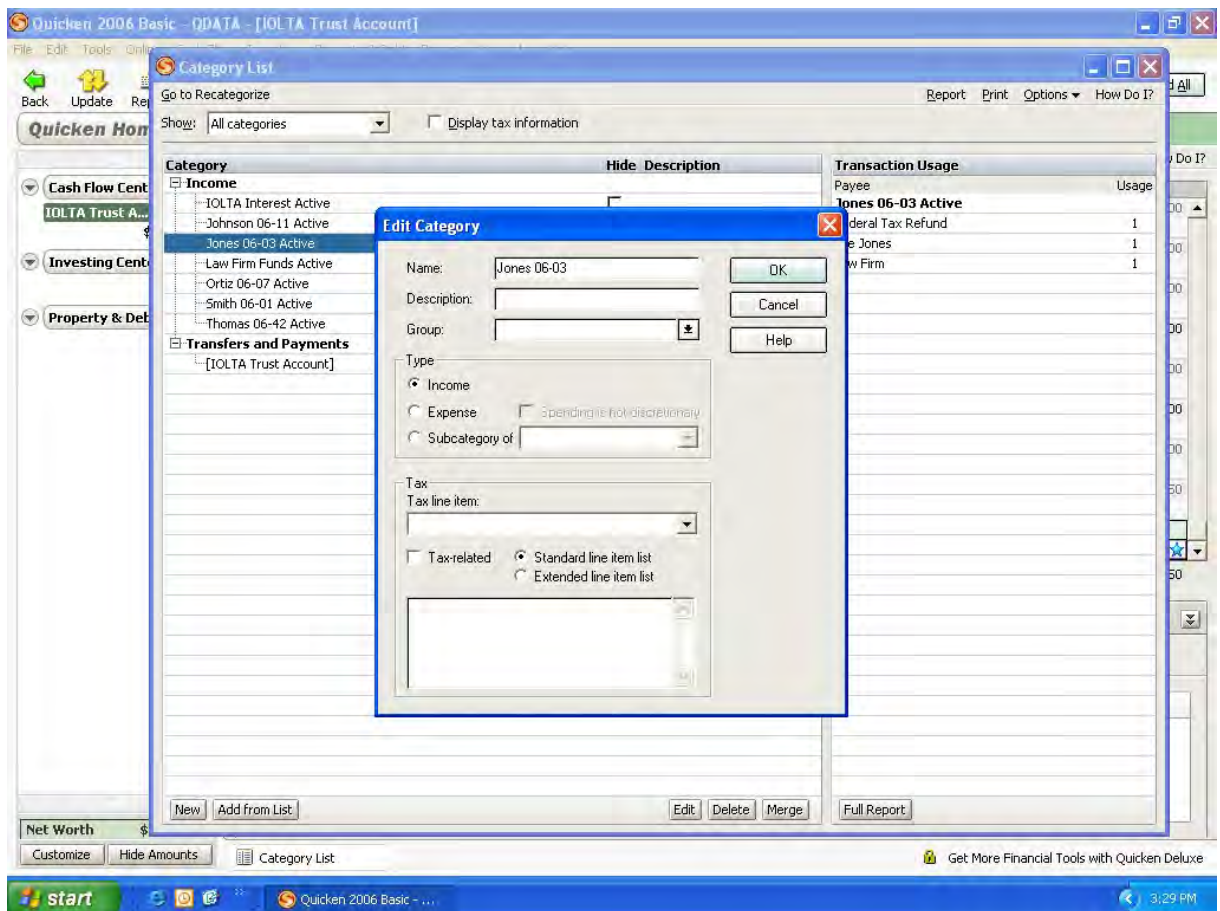
5. Individual client ledgers can be de-activated after all the client's funds have been disbursed and the representation has terminated. Deactivating closed client ledger accounts will simplify the Subsidiary Ledger Trial Balance Report by removing superfluous information. To de-activate a client ledger account or category, pull down the *Tools* menu from the main toolbar and select *Category List*.



- Click once on the client account that you want to deactivate and then click on the *Edit* button at the bottom of the list.



- In the *Name* window remove the word “active” and select *OK*.



- The deactivated account will no longer appear on the Subsidiary Ledger Trial Balance Report but will be available in the future should you need to access it. To run a report that includes all open and closed client accounts, simply customize the existing report by removing the word “active” from the *Categories Contains* window on the *Includes* tab of any report.

Appendix 1 to the MRPC requires that, “Electronic [trust account] records should be regularly backed-up by an appropriate storage device. The frequency of the back-up procedure should be directly related to the volume of activity in the trust account.”